

**HANDS & BRAINS UNBOUND**



**THE FAILURE OF NATION-BUILDING  
& THE ILLUSION OF WORLD ORDER**

**MICHAEL BYRNES**



# HANDS & BRAINS UNBOUND

THE FAILURE OF NATION-BUILDING  
& THE ILLUSION OF WORLD ORDER

MICHAEL BYRNES

© Copyright 2003-2018 Michael Byrnes

[www.outoftheboxinsight.com](http://www.outoftheboxinsight.com)

2018 Edition

## Abstract

*Hands & Brains Unbound* explores two intersecting global developments: first, why our geopolitical and economic systems are progressively incapable of sustaining social order and economic security between and even within states; and second, why the emergence of global *stateless* citizens will finally provide the spark to an inspiring revolution never before thought possible. The revolution already in the making? The restoration of the human mind. The consequences of this bloodless revolution? The global interdependence of livelihood, prosperity, and peace.

Ten years in the making, *Hands & Brains Unbound* traces from the Westphalia Treaty to modern events the contradictions between nation-state governments constrained by geopolitical borders and polarizations, and emerging economic innovation and collaboration communities seeking borderless diversity. At the center of this work, a 9-year on-the-ground case study of a failing geopolitical nation-building exercise. The case study reveals that ***civilizations arise and decay as a direct consequence of their essential economic—not political—relevance to the larger world.***

Today, over 100 nation-states are considered failed or failing. Global organized crime and militant extremism are serious threats to both internal state security and world trade. Natural resource depletion and dramatic climate changes are rapidly moving the earth's ecosystems closer to a catastrophic collapse. Many of the world's most powerful states are adopting aggressively protectionist policies in what is proving to be a vain attempt to protect local jobs and limit the incursion of diverse cultures and ideologies considered to be a threat to the local status quo. The gap between rich and poor is ever-widening, food riots and water wars are serious threats to national and global security, and our very social fabric is tearing at the seams. Over the generations, we have come to fully believe the system—no matter how unjust or ineffective it may be—cannot be changed. Consequently, our entire lives are resigned to not much more than mere survival.

*Hands & Brains Unbound* presents a revolutionary view of the astonishing human potential which is already beginning to change the system: the untapped potential of ***intangible economic assets*** naturally residing within the human mind and experience. The

natural evolution from Keynesian-Hayekian-Friedman classical economics to **global interdependence** has already begun... but it is not well understood by much of the global population.

*Hands & Brains Unbound* explains the philosophical and sociological underpinnings of a global process of geoeconomic interdependence that is not only possible, but now seems imperative. Human existence is now at a crossroads. Self-destruction or self-revolution.



## Author's Note for the 2018 Edition

*Hands & Brains Unbound* was first completed in May 2008, in the early moments of what is now referred to as the Great Recession. Since the book was initially written, it has been available only in digital format, circulating throughout a somewhat specialized community of professionals and students of political science and economics. Based on feedback received, it has become increasingly clear that many others—internationals as well as citizens of Bosnia-Herzegovina—also express a similar disillusionment and outrage at the continuing and even worsening dysfunctional process of International Development and nation-building in Bosnia and elsewhere.

The European Council, since 2003, has been ineptly dangling in front of the peoples of Bosnia-Herzegovina the carrot of the accession of their nation to the European Union—for the express purpose of encouraging the Bosnian government to initiate specific constitutional, political, and economic reforms. But still 14 years later, these reforms have failed to be implemented. Without these reforms, it is virtually impossible for Bosnia-Herzegovina to ‘plug into’ the world’s markets and banking systems. Thus, it now seems appropriate to formally publish *Hands & Brains Unbound* for the wider population to consider.

Over the recent years, as we can all witness, the global effects of the Great Recession are still being deeply felt. Indeed, social anger expressed via voices of extremism, populism, nationalism, protectionism, and the like, is actually rising. For an increasing number of people, the future seems to only hold more disenfranchisement, fear, and anger. Because *Hands & Brains Unbound* presents an important and unique ‘view behind the curtain’ of international socioeconomic and sociopolitical relations that few have personally witnessed, and fewer still seem to understand, I hope this book continues to be relevant to the global discussions concerning a world order that increasingly is in jeopardy. As I have come to understand in writing this book, it is when we finally acknowledge and rise above our ignorance, fear, and anger, we experience true and natural liberty... and in that state of natural freedom, we discover something new: responsibility.

In preparing the text for print publishing, extremely little, and nothing substantive, has been altered for this 2018 edition—a few

text changes have been made so that paragraphs would more effectively flow from one page to the next, and some graphics have been edited or re-created for better communication and understanding.

In 2015, along with Tamara van Halm, this book's sequel has been written: *Wealth Beyond Nations*—which presents a more focused alternative vision of global socioeconomic relationships for the reader to consider, sans the case study of International Development and nation-building. Both books are available via our website [www.outoftheboxinsight.com](http://www.outoftheboxinsight.com) and [amazon.com](http://amazon.com).



# Contents

Abstract	iii
Author's Note for the 2018 Edition	v
<b>I. PROLOGUE: DYNASTY, CORPSE &amp; RESTORATION</b>	<b>1</b>
<b>PART ONE: DYNASTY &amp; CORPSE</b>	
<b>II. REVEALING THE ILLUSION OF WORLD ORDER</b>	<b>12</b>
1. Evolutions of Geopolitics & World Order	12
2. Consequences of World Order Decay: A Brief Glimpse	24
3. Evolving Economies Expose Decaying World Order	27
<b>III. CASE STUDY: ECONOMIC &amp; STATE FAILURE</b>	<b>54</b>
1. Empirical Evidence of Failure	54
2. Logical Evidence of Failure	85
3. Global Consequences of Failure	96
<b>IV. WORLD ORDER CORPSE: ROOTS OF FAILURE</b>	<b>101</b>
1. Nation-building: Cure or Disease?	102
2. Geopolitical Status Quo vs. Dynamic Global Markets	119
3. Modern Economics: Peering into the Face of Chaos	128
4. A Decaying Dynasty & Ascending Revolution	167
5. Case Study Conclusion: True Cost of Sustainability	194
6. Geopolitical World Order is Now Irrelevant	198
<b>PART TWO: RESTORATION</b>	
<b>V. THE UNBINDING &amp; THE BONDING</b>	<b>203</b>
1. The Yellow Brick Road	203
2. The Chaos Crucible	207
<b>VI. FROM THE IDEAL TO THE MATERIAL: GEOECONOMICS</b>	<b>276</b>
1. Atlas: Process, Form, Mass & Effect	276
2. Paradigm: Interdependent Livelihood (Model 1)	296
3. Restoration: Labor-less Interdependence of Livelihood (Model 2)	319

<b>VII. EPILOGUE: RAISONS D'ÊTRE</b>	<b>329</b>
1. A Lifelong Enigma	329
2. A Broken Mirror	330
3. End of the Road	334
About the Author	336
Appendix	337

## I. PROLOGUE: DYNASTY, CORPSE & RESTORATION

To contemplate and advance either the measured evolution or abrupt revolution of international relations and world order; that is the stark choice that now ultimately faces our global civilizations. Whether it is somehow nobler to patiently suffer the ever widening disparities between rich and poor peoples, trusting all the while that governments are altruistically dedicated to alleviating the disparities in a prudent and methodical process so as to maintain world order; or it is more just to radically alter the holders and structures of power away from supposedly representative governments and commend power to the previously unthinkable: the insubstantial and anarchic embodiment of random and often conflicting ideas and values; ourselves. From our very beginnings, individuals have sought to gain and control power; either to advance a specific set of ideals into which societies were expected to conform, or even for the sake of power itself. History and our common sense prove it is simply irrational to contemplate human civilizations somehow changing this ingrained quest for power.

This thesis, however, seeks to argue that indeed the dynasty of an egoistic and geopolitical-centric world order has become nothing more than an illusion and those that now possess some ebbing element of power are in reality powerless to maintain not only world order, but even state order. For the sake of global security (and our more moral duty to an egalitarian civilization), power must be restored to owners never before contemplated: our minds. Here, too, the word *mind* probably needs clarification. In the context of this thesis, the word *mind* should imply not merely our *thinking* selves, but more the enlightened synthesis of our rational and irrational beings; the synthesis of self-awareness and selflessness; the synthesis of the benefit of self-initiative and the responsibility of self-restraint; indeed, the *whole* of our consciousness.

If the leviathans of the modern West are no longer capable of commanding or manipulating a growing list of nations to act or even think as they, and that, consequently, world order is threatened,

or even weakened—then perhaps we might consider that power be conveyed not to some other group of leviathans, but rather, to the infinite ether of our own minds? Certainly, this mere ethereal concept cannot be taken seriously by a serious world attempting to navigate itself through the factual complexities of global terrorism, nuclear proliferation, and immigration control. As Machiavelli reminds us of the harshness of ‘reality’:

A wise prince will be guided above all by the dictates of necessity: in order to hold his position, he must acquire the power to be not good, and understand when to use it and when not to use it as circumstances direct...moreover, he must reconcile himself to the fact that he will often be necessitated to act contrary to truth, contrary to charity, contrary to humanity, contrary to religion if he wishes to maintain his government.

In this long-held paradigm of reality, no living ‘prince’ or government would willingly cede power to anyone or anything else. Nonetheless, the reason *this* thesis argues that, in our modernity, it should be nothing more than the global enlightenment of our minds which holds power is that it is the very diversity and anarchistic qualities of global ideas, values, creativity, and innovation which will prove to be the most direct, relevant and potent qualities capable of uniting all peoples together in peace. The rationale for this seemingly nonrealistic view is complex and an interweaving of multiple social and geoeconomic observations to be both empirically and logically explicated herein. In short, for centuries the human populations have been either protected or prevented from exploring and making manifest the utter chaos that would surely come by opening the Pandora’s Box of ourselves.

As shall be shown in the following pages, we have—until recently—lacked the tools with which this chaos can somehow be balanced and made manageable. Now that we finally possess the tools to allow diverse ideas and cultures to balance chaos into a process of interdependent livelihoods, all that remains is for us to decide to use them.

*Hands & Brains Unbound* questions the very systems and logic of geopolitical world order. This not so commonplace or uncomplicated objective is neither founded exclusively on conservative nor liberal

views; neither on radical capitalist nor socialist views. In truth, and to this day, I write the following chapters somewhat reluctantly—partly as a consequence of the sheer expansiveness and weight of the subject, partly due to the fact that the subject of redefining, merely questioning world order is something that our common sense says should be left to skilled philosophers or statesmen, not a practicing economist as am I. Yet, two distinct influences have led me to this sober place. The first influence having occurred over the past nine years during my field study of nation-building<sup>1</sup> in Bosnia-Herzegovina, a nation-state which has received more international aid funding per capita than any other nation in human history—yet, which now teeters on complete failure as a state. The failure of Bosnia-Herzegovina as a viable and sustainable state is not only profound in its human perspective, the failure is made that much more impacting in light of the fact that this country resides in the breast of Europe and has, throughout its long and proud history, quietly contributed much to global civilization.

The failure of nation-building—a ‘soft power’ tool of international relations—will be shown in the following pages to be an undeniable indicator that world order based on political geography is actually counterproductive to the economic well-being and sustainability of all nation-states and global markets. The second influence leading this writer occurred too many years ago, in the innocence of childhood, and relates to the profound impact that a specific economic structure has on societies. My parents once proclaimed to me a notion which many at that time in history had also accepted as true and just, and which has haunted my conscience all these years:

*War is good for the economy.*

Militaristic-based economies, as Napoleon and almost every other leader throughout history too-late understood, cannot be maintained as an economic market in and of itself; either wars

---

<sup>1</sup> **Nation-building** refers to the process of constructing or structuring a nation using the power of the state, particularly foreign states (bilaterally, or multilaterally). This process aims at the unification of the peoples within the state so that it achieves social, economic, and political stability and sustainability. Nation-building is considered a ‘soft power’ tool of the interstate system, and utilizes various forms of tactics to assist a state achieve self-sustainability, such as World Bank/IMF lending, the use of diplomacy to impose various reforms, and the like.

eventually end, or as post 9/11 ‘asymmetrical’ conflicts between large nation-state militaries and small stateless terrorist cells have demonstrated, geopolitical crusades cannot be readily quantified as efficient or non-efficient—both options only exacerbating tensions within and between states. For these past nine years, I have been a sometimes witness, sometimes participant in the birthing process of Bosnia-Herzegovina. From this unique and often unsettling perspective, I have been provided the rare opportunity to peel away a multitude of layers of skin from the systems and logic of world order—just at the moment in which world order impregnated this post-conflict nation-state. It is in these critical first years of nation-statehood that weaknesses, even disfigurements of world order first writes itself into the heritable code of a civilization. In the following chapters, the sometimes grotesque, sometimes threatening, offspring of the International Community’s nation-building efforts shall be dissected—empirically and logically. The autopsy will show that conventional tools of a geopolitical process of world order are failing, and imperatively, the politics of geography requires an alternative.

This failing nation-building exercise, however, is only one scene being played out within the larger drama of a decaying world order; both the scene and the larger drama are comprised of many subplots and actors. The antagonist at the core of this drama is *geopolitics*: the perpetual art of polarization of ‘different’ cultures and civilizations; a world order based on the separateness of ‘us’ versus ‘them’. The (not entirely heroic, but in our plot, redeemable) protagonist is *geo-economics*—often seen as politically naïve or downright greedy in its single-minded objective of wealth generation. But even the protagonist of *geo-economics* is not entirely what it seems; this character of *geo-economics* is not guided—nor does it hide behind—the market’s ‘self-regulating’ or ‘unseen hand’. In this plot, *geo-economics* itself is found to adhere to a more instinctive script which explores and provides a cogent vehicle for the realization of the individual’s *life task*, or *calling*. A product of the Reformation, the valuation of the fulfillment of *duty* in worldly affairs is the highest form of moral activity the individual could assume.

This cross-border, cross-social class view of the individual’s duty was, in its day, a revolutionary social and religious concept. In the early practice of monotheistic religions (Judaism, Christianity and

Islam), the duty of the individual was generally defined as abiding by God's Will or Law within the social class or station one was born. That meant if you were born a slave, God's Will was that you abided by His tenets as you served obediently as a slave. But in a post Cold War world, where almost any social ladder is climbable, and duty to standing militaries on a massive scale are no longer necessary or even financeable, how is valuation to be placed upon duty? To whom or what is duty owed? Further, how is duty to be valued if one is employed by a heavy industry company or non-profit hospital, or even home-maker? So, in this plot, geoeconomics is not really the ideological foundation to which people conform, upon which they work to obediently serve; but rather geoeconomics is merely a technical tool global civilizations purposefully wield so as to effectively value, balance, and make interdependent the individual's calling to a particular livelihood.

In the all-too-familiar dimensions of geopolitics, individuals and the ideologies they hold seek to rise to the pinnacles of power, ever vigilant to upkeep their borders between diverse cultures, civilizations, and ideologies. Geoeconomics, on the other hand, flows absolutely unconscious of borders—possessing neither malice nor remorse toward diversity; indeed, globally interdependent economies celebrate diversity. Geoeconomics is the art and science of how the waters of wealth generation **and societal value** flow from person to person, location to location, history to future. Geoeconomics seeks no borders, only markets which themselves are comprised of individuals both contributing to and consuming each other's value. Geopolitics, on the other hand, exists solely to establish and protect borders; consumer-based markets are secondary, a necessary evil to finance and refinance the tools necessary to maintain power.

Indeed, this is the focus of *Hands & Brains Unbound*: assessing and unbinding the entwined relationships between the physical natural resources and the cultural ideologies of our world and how geopolitics endeavors to possess and control these resources and ideologies. The 21st century artifacts of our human production, our very livelihoods are the prisms used herein to view under the skin of geopolitics. What the following economic and social autopsy will reveal is that geopolitical world order has grown feeble, incapable of effectively managing the flowing waters of 21st century economics and its constituent livelihoods. Geopolitics—and its now deterio-

rating world order based on the polarization of various cultures and civilizations—is essentially in conflict with what, how, and why we produce and consume as a less militaristic-centric human race. Our very livelihoods, not dissimilar civilizations as others have pinned, are entangled within a dangerous clash of Darwinian proportion. Dynasties of old are decaying. World order, now, is tenuous at best. Will the present leviathans of geopolitics continue to insist in executing their ‘asymmetrical’ war against the invisible enemies of globally diverse ideas, fighting to its last breath? Or, are there now restless or angry predators in other parts of the geopolitical landscape stealthily stalking, ready to pounce on opportunity and declare themselves the new rulers of world order?

*Hands & Brains Unbound* is essentially a causal argument for imperative change. The failure of post Colonialism Era and Cold War Era world order and eroding economic security throughout a growing list of states are the author’s *dependent* variable, the outcome to be explained. The *independent*, explanatory variable is that 21st century global civilizations are constrained within an aged geopolitical foundation long focused on polarization and the balancing of power between states—and thus placing artificial or subjective-based limits to the stakeholders (producers and consumers) of modern global economic wealth no longer focused exclusively on militaristic output. It is geopolitics itself that has evolved to be the destructive force which feeds both the roots of civilizational discontent as well as the growing instabilities in fundamental economic systems. The particular prism through which the dependent and independent variables are viewed is indeed unique. It is a prism of the author’s personal on-the-ground nine-year case study of a nation-building exercise in Bosnia-Herzegovina and the larger Southeast Europe region.

This is unique for three particular reasons: 1—the general public of most states are largely unaware of the various ‘soft power’ tools their governments use in the day-to-day mechanics of world order; 2—most public information available regarding the appliance of international relations and nation-building tends to be provided by political leaders themselves, which not surprisingly, the information is conventionally protected behind a veil of undisclosed diplomacy, out of sight political maneuvering, obtusely-worded government contracts, and propagandized press releases; and 3—*Hands & Brains*

*Unbound* reveals an uncensored, yet objective behind-the-scenes view of the *socioeconomic* ruins left behind by the nation-building process in Bosnia-Herzegovina. On paper, Bosnia-Herzegovina may be called a democratic state. But on the ground, in the earthy reality of the day-to-day, most Bosnians are trapped in a non-functioning state and economy explicitly orchestrated by organized crime networks. For those that have not already left their home soil, the day-to-day in Bosnia is not democracy, nor society, but mere survival of the individual lost in a jungle of corruption and still-continuing ethnic cleansing.

Thus, this thesis shall reveal the independent explanatory variable to be: the power states' post Cold War nation-building projects have purposefully circumvented the public and private sectors from specifically addressing the modern economic necessities of global innovation, production and consumption. Rather, power states—focused almost exclusively on imposing upon developing states a series of geopolitical-centric political institutions and policies—utilize the nation-building projects as mere tools to further the larger geopolitical world order agenda: conformity or polarization. Consequently though (the causal argument's dependent variable), when the nation-building process fails to secure a stable and self-sustaining economic foundation, insidiously organized corruption, a tidal wave of gray market activity, and even militant extremism are left to quickly fill the vacuum. This perilous vacuum is now spreading throughout more than a hundred failing or failed states and progressively threatens the market economies, state security, and even geopolitical eminence of the power states themselves.

In an another nation-building theatre on the other side of the world from Bosnia-Herzegovina, and on February 9, 2006, U.S. President George W. Bush in a now infamous speech prematurely extolling the International Community's successes in Afghanistan:

We removed a cruel regime that oppressed its people, brutalized women and girls, and gave safe haven to the terrorists who attacked America. Because we acted, the terror camps in Afghanistan have been shut down—and 25 million people have tasted freedom, many for the first time in their lives. Afghanistan now has a democratically elected President, a new national assembly, and the beginnings of a market economy. Women are

working and starting their own businesses, boys and girls are back in school. The Afghan people are building the institutions of a lasting democracy and the foundations of a hopeful future for their children and their grandchildren.

And yet, the reality on the ground in Afghanistan is quite different. Shortly after that speech was given, on May 30, 2006, an early morning traffic accident in Kabul involving a U.S. military vehicle sparked a full-blown anti-American riot in the Afghan capital. If a tragic, but simple traffic accident can spark riots, then no amount of diplomatic rhetoric and spin can disguise the fact that nation-building is a “long, hard slog”. Today, as many objective observers have reported: Afghanistan is not governed on a state-wide basis by the so-called democratically elected President; warlords and the Taliban still control about 90% of the country. Over 60% of Afghanistan’s GDP comes from opium sales. Terrorist activity throughout the country is on the rise. A ‘lasting democracy’, at this point, seems highly unlikely. Spin and reality are quite often poles apart from one another. This is very much the case with respect to Bosnia-Herzegovina and the larger Southeast Europe (SEE) region. Indeed, what makes the failures of nation-building within the SEE region even more profound is that the region resides in the breast of Europe, and was not previously subject to religious-based militant extremism or foreign-fighter acts of terrorism—as is the case in Afghanistan, Iraq, Sudan, etc.; it should have been relatively less complicated to introduce various political and economic reforms within Bosnia-Herzegovina so that self-sustainability could be achieved. The obvious question becomes: if, within Bosnia-Herzegovina, a relatively less complicated geopolitical-based nation-building exercise (at least from a security perspective) has proved to be failing, if not a total failure, then what could we expect of geopolitical-based nation-building exercises presently underway in less secure environments, such as Afghanistan, Iraq, and Sudan?

*Hands & Brains Unbound*, by assessing world order vis-à-vis a case study of nation-building in Bosnia-Herzegovina, digs below the typical ‘think-tank’ styled interviews of diplomats and NGO program managers. The case study views both empirical and logical consequences of nation-building; both the designs and their actual results. Indeed, diplomats (foreign and local) as well as NGO program

managers and staffers, over a nine-year period, were interviewed by this author. However, beyond the conventional think tank study format and pre-programmed rhetoric, deeper, more subtle consultations were conducted with personal friendships made with common people—common business people, common schoolchildren, common citizens who often thought of themselves as alien citizens lost in a fictional state. In the end analysis, nation-building as well as the nations this soft power tool creates, are no more than façades, works of fiction. This fiction, inevitably, does harm. Exposing what resides behind the façade of nation-building—not in some idealistic, subjective, or self-interested manner, but in a manner that is reasoned, rational, non-aligned, and objective—serves as a behind-the-scenes direct confrontation to the bizarre mix of diplomatic rhetoric and Machiavellian designs of geopolitics which conventionally and insidiously controls what information about nation-building the general public is granted.

A geopolitical façade has been erected around the designs and activities of nation-building with respect to states such as Bosnia-Herzegovina, Afghanistan, Iraq, Sudan, and a multitude of others. This thesis seeks to expose what fallacies and incompetences hide behind this façade. In his seminal work *The Great Transformation* (1944), Karl Polanyi viewed the failings of classical economic liberal doctrine of the self-regulating market through the prism of the Great Depression and the two World Wars. Using a similar tactical application of dependent and independent variables to establish a causal argument, *Hands & Brains Unbound* observes that determining some alternative to the geopolitical process of world order may already be an imperative, and then proceeds to explore a potential (if not inevitable) alternative to polarization and geopolitical world order specifically from a vantage point of securing world order vis-à-vis establishing a global and interdependent process which provides for economic sustainability for all peoples—geoeconomics.

Assume a nation-state is found by the peoples of the state and the global community to be failing; then can an economic (rather than political) focus of a 'nation-building' process be constructed which is designed to specifically assist the state's market to interweave its economic value into the global markets? In the context of this question, the above identification of 'nation-building' in quotes suggests an even more central concept: nation-statehood cannot

be merely adopted, dispensed, or even imposed upon any civilization; *civilizations arise and decay as a direct consequence of their essential economic—not political—relevance to the larger world.* Thus, ‘nation-building’ itself is a strategy and activity that in a post Cold War global market place is now not only irrelevant, but even counter-productive to the necessities of global market economies.

The geoeconomic alternative presented herein, is divided into two specific models: the first, a *Level Playing Field for Interdependent Livelihood*, and second, a *Labor-less Interdependence of Livelihood*. Both of these models are essentially based on the principles of market-based capitalism and competition. However, both models are subjected to a proprietary weighting process, where economic value is balanced with societal value—on both a local and global scale. This is not to be a wealth redistribution exercise, as many presently advocate. Rather, these two models seek to tap into the multitude of hidden wealth generation reserves held within all states: our minds, an economy of knowledge, ideas, and collaborative innovation. The tools used to establish these two models are first and foremost based on allowing logic and reason (and the critique of reason) to find the empirical breadcrumbs left behind in the larger understanding of how the seemingly organic essence of knowledge-based economies effectively operates. These relatively untapped (at least from a global perspective) resources of the mind, knowledge and ideas possess the potential to unleash an unfathomable volume of socio-economic activity, collaboration, innovation, and value. From this new wellspring of economic value, then, shall flow Ibn Khaldun’s vision of interdependent livelihood and Immanuel Kant’s vision of global democratic peace.

Unbinding the knot of geopolitical world order is not to be a subjective exercise. Rather, it is to be objective and balanced in the tradition of dialectics. Developing any geoeconomic alternative to world order requires learning from the past, and equally, projecting the future. To view coherently and rationally this future version of world order, it is first necessary to trace a line of breadcrumbs back into the past... to a specific moment... to a specific conversation that once began:

*War is good for the economy.*



# **PART ONE: DYNASTY & CORPSE**

*Unthinking respect for authority is the greatest enemy of truth.*

Albert Einstein

## II. REVEALING THE ILLUSION OF WORLD ORDER

### 1. Evolutions of Geopolitics & World Order

#### *Westphalia Order: Surface Order Only*

Slightly more than 350 years ago, in 1648, the modern foundations of a world order were established based on a finite reference point of governments representing a larger *national* grouping of citizens rather than a peoples' identity and loyalty being infinitely defined by a multitude of religious or feudalistic affiliations. *The Peace of Westphalia* refers to the series of treaties that ended the Thirty Years' War and officially recognized the Dutch Republic and Swiss Confederation, amongst other geopolitical pronouncements of world order. The treaty component signed October 24, 1648 was between the Holy Roman Emperor Ferdinand III, the other German princes, representatives from the Dutch republic, France, and Sweden. The Treaty of the Pyrenees, signed in 1659, ended the war between France and Spain. These treaties, collectively, are referred to as the Peace of Westphalia, or the Westphalia Order—and historians generally recognize these treaties as the beginnings of the modern era and geopolitical world order.

The Treaty of Westphalia incorporated four basic principles: 1—the principle of the sovereignty of nation-states<sup>2</sup> and the concomitant fundamental right of political self-determination; 2—the principle of (legal) equality between nation-states; 3—the principle of internationally binding treaties between states; and, 4—the principle of non-intervention of one state in the internal affairs of other states. The Peace of Westphalia is a crucial turning point in

---

<sup>2</sup> The very concept of the nation-state was only then just beginning to emerge. It wouldn't be until 1884, when the *Dictionary of the Royal Spanish Academy* used the terminology of state, nation, and language in a synthesized manner. In 1884, the Spanish dictionary defined *nación* as 'a state or political body which recognizes a supreme centre of common government' and also 'the territory constituted by that state and its individual inhabitants, considered as a whole'. (E.J. Hobsbawm, *Nations & Nationalism Since 1780*).

the history of international political relations, and formed the basis for the modern international system of independent nation-states (today, generally referred to as the ‘interstate system’).

The principles articulated in the treaties were profound political and legal innovations for the age, and instituted, for the first time, a system that respected peoples’ individual rights—and these institutions, in turn, relied on international law, rather than on force of arms and the perceived right of the strongest to control interactions between states. However, as world events continued to evolve, the Westphalia Treaty did not secure a permanent peace between these new and supposedly equal ‘nation-states’, as hoped. Today, still, the concepts and consequences of ‘sovereignty’, ‘self-determination’, and secularism, underpin most if not all circumstances of civilizational discontent—and thus, it is the insubstantiality of ideas and values which come to be the truer roots of conflict and persist to threaten world order.

One of these conflicted values relates to the very nature of the Thirty Years’ War (1618-1648) itself. This war was waged principally on the territory of today’s Germany, but also involving most of the major European continental powers of the time. From its onset, it was a religious conflict between Protestants (newly invigorated by the Reformation) and Catholics (on the defensive from the Reformation). But at the time, the affairs of religion and state (in the main, monarchies and empires) were intricately entwined—each supporting the other. Any rise of Protestantism amounted to the weakening of Catholic influence and power over the affairs of state, and because monarchs were more often than not denied by Protestant-led parliamentarianism their traditional ‘divine right to govern’, to the rise of the ‘secular state’. Pope Innocent X in *Zelo Domus Dei* called the treaties:

Null, void, invalid, iniquitous, unjust, damnable, reprobate, inane, empty of meaning and effect for all time.

Royals and the Catholic Church would not simply surrender to the notion of their ‘divine’ power and authority being usurped or even questioned. The conflicting ideals of sovereignty, self-determination, secularism, and even divine authority were now vulnerably exposed. But their exposure was not merely on the stage of debate

and personal choice. The conflict was to spread onto the battlefields and well into the future. Ferdinand II, an uncompromising champion of the Counter Reformation, attempted by authoritarian imposition to restore Catholicism on his subjects (the majority being Protestant)—and by doing so, was one of the sparks which ignited war. Ferdinand II was king of Bohemia (1617-1619) and the Austrian Habsburg heir presumptive, but in 1618, in protest against Ferdinand's efforts to restore Catholicism, Bohemian rebels threw two of Ferdinand's ministers out of a window. This incident, known as the Defenestration of Prague, was the immediate cause to ignite the Thirty Years' War. After the rebels deposed Ferdinand in 1619, this initially internal Austrian conflict rapidly grew into a European-wide war, and Ferdinand's continued military support of the Catholic Church was rewarded when he was made Holy Roman emperor (1619-1637), and king of Hungary (1621-1625). Ultimately, though, the Habsburgs were defeated in battle, and the Peace of Westphalia weakened their control over the Holy Roman Empire by reducing it to a loose union of independent states.

These underpinning conflicts relating to sovereignty, self-determination, secularism, and even divine authority continue today. The Peace of Westphalia constructed protective borders around these conflicted ideals, and by doing so, confined these deeper conflicts to fester in the darkness of memory and ambition. In the decades following the Westphalia Treaty, memories of these conflicts (and their atrocities impacting the civilian populations) etched themselves into the deeply personal history of large swaths of Europe, led to festering unhealing wounds throughout the region, and ultimately played a part in the origin and ferocity of two World Wars. Equally important, however, is that these enduring memories reveal a beginning pattern of individual nation-states forming geopolitical alliances and working together so as to 'balance' power by and between states. It is this geopolitical umbilical cord of balancing power that established how the interstate system attempts to manage conflict—then, and today—not by confronting and reconciling the roots of conflict, but rather by establishing/coercing 'coalitions of the willing' so as to mollify the surface manifestations—the *symptoms*—of conflict. It seems the underpinning conflicts relating to sovereignty, self-determination, secularism, and even divine authority have been too impenetrable for any generation to confront. Conse-

quently, the world order initially secured by the Peace of Westphalia (or for that matter, any other form of geopolitical world order) could be held together only by the force of the elites' ego and their continuous amassing of military strength. A world order not capable of confronting the root causes of civilizational conflict could not then, or now, realistically endure. Two World Wars thus inescapably fractured world order, condemned generations to death and hunger—survivors forced to postpone the instinctual pursuit of happiness and for improving their standards of living. Survivors could only “make do, and mend.”

The exception to this disruptive fate of world wars suffered by most of the globe seemed to be the American military-industrial complex and its grateful workforce then supplying most of the world its military and agricultural necessities. To some, war *was* good for the economy. Still lurking beneath the surface of nearly all civilizations, however, is the ever-contentious role of religion within the affairs of the nation-state. Essentially, the Westphalia Treaty began the slow process of secularization of state mechanics and institutions (lessening the roles of sovereign leaders and their governments to protect equally the state and the church). In the affairs of state, religion had been sidelined. But for all this time, religion and its aspiration to influence the state has been waiting in bitter and righteous anticipation... and festering. This festering manifests itself in two specific ways.

Firstly, the ‘values’ of any society are generally recognized as originating from religious values. If these values (secular or religious) are concerning, exclusively, the internal affairs of a nation-state which is culturally/ethnically comprised of a clear majority or even hegemony, then, under most circumstances, these values do not visibly initiate societal conflict. However, when states begin to interact with each other, or when cultural/ethnic minorities interact with majorities, these values (secular or religious) can and often do conflict. This conflict of values, generally, is the arena within which Samuel Huntington was focused in his seminal work, *The Clash of Civilizations and the Remaking of World Order*.

Clashes of civilization are the greatest threat to world peace, and an international order based on civilizations is the surest safeguard against world war.

The United Nations, established in 1945, hoped to engage itself in formalizing a global dialogue relating to occasionally conflicting sets of values. Its charter describes itself as a “global association of governments facilitating cooperation in international law, international security, economic development, and social equity.” It is particularly the objective of facilitating ‘social equity’ which attempts to address the global diversities of ‘values’, and resultantly, substantially weakens the very purity of ‘sovereignty’ (the principle of non-intervention of one state in the internal affairs of other states is thus in question when states confront each other on matters of social equity, such as basic human rights, child labor and exploitation, women’s rights, the death penalty, environmental security, the rule of law, and even the right to free and fair elections, etc.). By extension, when a state’s values are questioned, its underpinning religious traditions are equally questioned. Thus, religion often becomes the underlying, if unspoken force of interstate affairs—sometimes confronting the issues as directly religious in nature (distribution of condoms versus abstinence to combat the spread of HIV/AIDS), and sometimes disguised as issues of fundamental human rights (the right of women to vote, or walk in public with or without being veiled).

The festering of social values (and by extension, religions) manifests itself in a second manner, focused a bit more subtly in the affairs of economics. Western materialism (post Westphalia secularism) is often viewed by non-Western or theocratic societies as being, at best, anti-religious or anti-idealism, and at worst, corrupted by religious fundamentalism extolling the ‘divine right’ of individual self-determination, even at the expense of others (this is generally in conflict with other religions which subscribe to the notion of predetermination and divine service). Thus, the conflict between religious idealism and secular materialism *seemingly* creates an untenable obstacle for real global market economies to flourish. *Seemingly...* but as Part 2 of this thesis shall demonstrate, the concepts of idealism and materialism are not in fact in opposition to each other, rather if viewed from an innovative perspective, religious idealism and secular materialism complement each other in a global network of economic and social interdependencies. At the ending of the two World Wars, however, and whilst the *root* conflicts of diverse civilizations and ideologies continued to fester, a successor

to world order took its dynastic seat of power—still based, nonetheless, on the old rules of geopolitical balance. A world order which even more zealously attempted to protect and prevent civilizations from confronting the root conflicts of sovereignty, self-determination, secularism, and even divine authority. A world order which limited the options of nation-state allegiance to only two material and competing applications of ideals: capitalism and communism.

### *Cold War Order: Proxy Conflict & Decolonization*

The Cold War was a world order era based on conflict, tension and competition between the United States and the Soviet Union and their respective allies lasting from the end of World War II to 1989. Throughout the period, the geopolitical rivalry between the two superpowers was staged in multiple arenas: the formation of military and political coalitions<sup>3</sup>; financial support and political patronage for a wide variety of states—many ruled by malevolent dictators and despots—in return for their allegiance to either side of the conflict; military, industrial, and technological competition, including the space and nuclear arms races; costly defense spending which produced fairly consistent economic growth and tax revenue generation within the major powers; and various proxy wars. Externally, on the world stage, various crises and proxy conflicts arose that came close to escalate into new world wars, notably the Berlin Blockade (1948-1949), the Korean War (1950-1953), the Vietnam War (1959-1975), the Cuban Missile Crisis (1962), and the Soviet-Afghan War (1979-1989). A world order was established based on the precept of *deterrence* from direct military attacks between the adversaries—a high-stakes gambit formulated on balancing the potential for mutual assured destruction using deliverable nuclear weapons.

Like the Cold War itself, decolonization—or the loss of colonial possessions—gave rise to massive shifts in the politics of geography. World War II was the catalyst for the rapid collapse of European and Japanese empires. On the eve of World War II, several of the states of

---

<sup>3</sup> The principal allies of the United States during the Cold War included Britain, France, West Germany, Japan, and Canada. Supporting the Soviet Union were many of the states of Eastern Europe—including Bulgaria, Czechoslovakia, Hungary, Poland, East Germany, and Romania—and, during parts of the Cold War, Cuba and China. States that had no formal commitment to either bloc were known as *neutrals* or, within the Third World, as *nonaligned nations*.

western Europe still ruled or otherwise controlled immense territories in Asia, Africa, and the Pacific. But during World War II, German and Japanese advances in Europe and Asia severely weakened the military capacity of the European colonial powers and shattered their aura of imperial superiority. Taking advantage of these weaknesses, nationalist independence movements in the colonies and protectorates grew in strength and veracity. Civilian populations of the imperial societies began to view overseas empires as economic and political liabilities—increasingly draining financial resources from other necessities.

Beginning in 1945 decolonization accelerated rapidly. As European imperialism receded, more than 90 independent nations joined the global community of national states—new ‘free agent’ game pieces for the superpowers to align, give patronage, and to subsidize. In Southeast Asia, local civil wars were intensified by superpower rivalry, leaving immeasurable economies in ruin and millions dead. Internally, within a vast majority of the world’s power states, militaristic economies and the subsidization of newly independent Third World states began to take their toll on civilian infrastructure and social welfare. The U.S. amassed nearly US\$ 8 trillion in military expenditures, roughly 5.9 percent of U.S. GDP annually. The Soviet Union’s military expenditures averaged a massive 11.9 percent GDP annually during the Cold War era.<sup>4</sup> In addition to financing the hard power tools of geopolitical world order, soft power tools and institutions such as nation-building and massive lending programs to Third World states managed by the World Bank/IMF were also financed. Civil societies the world over became increasingly bound into the geopolitical-centric institutions, idealism, and even ‘patriotism’ of a world order based on the precept of deterrence.

The Cold War indeed provided a stable foundation for some semblance of world order, for there was never an expectation that the central antagonisms between communism and capitalism would ever be directly confronted, much less resolved. Throughout the Cold War era, military, political, and economic planners of both sides could think in the long term. Global societies settled down for a protracted marathon of rivalry and competition; this was an era of uncomfortable acceptance. But true of all systems dependent upon

---

4 Source: SIPRI, ACDA, IMF

egoism and force, the Cold War and its reliance on militaristic economies would eventually collapse from the weight of un-sustainability.

### *Post Cold War Order: Implicit Tension*

Suddenly, inescapably, world order lost its capacity to think and plan in the long term, except initially for the last remaining holder of global power, the United States. With righteous fervor, the geopolitical forces of the U.S. deployed its manifest destiny of global hegemonism to advance the cause of global democracy. By 1989, the U.S. was responsible for military alliances with 50 states and 1.5 million U.S. troops were posted in 117 countries. The U.S. used these assets, along with its soft power assets of the World Bank/IMF, USAID, and a myriad of multilateral and bilateral NGOs, in an attempt to convert nation-states to viable democracies. But as a later section of this thesis shall detail, this grand strategy of global democratization could never be sustainable specifically due to the severe incompatibilities between the modern knowledge and collaboration based economies of the West and the labor/natural resource intensive and often autocratic economies of the developing states. Without some element of economic compatibility and mutual economic benefit experienced by common citizens, the only glues capable of sustaining these developing states was again egoism and force. Indeed, as it stands today, the industrial sectors of Western states predominately view the developing states as it once did during the colonial era—merely resources for cheap labor and natural resources, not as resources of innovation, collaboration, and consumption.

The dismantling of Cold War militaristic economies, in concert with massive shifts in labor pools due to outsourcing, replaced world order with essentially no order in economic terms. As militaristic economies were replaced with private sector innovation, collaboration, and consumption based economies, profound shifts in the civil sector altered not only the politics of international geography, but also the politics of local geography. Within the Soviet Union, as an example, the military-industrial sector employed at least one of every five Soviet adults during the Cold War. Due to the Soviet Union's lack of economic diversity, collaboration experience, and private sector market competition know-how, its post Cold War dismantling left millions unemployed and incapable of self-initiative. As the state

bureaucracies attempted to implement capitalist policy reforms so as to be compatible with the West, Russia suffered in material terms an economic downturn more severe than the U.S. or Germany had undergone six decades earlier in the Great Depression. As a consequence, a breakdown in state control occurred, and on December 31, 1991, the proud Soviet state was forced to dissolve.<sup>5</sup> An almost identical fate was to befall another proud state, Yugoslavia. Left in the wake of these newly independent areas of global geography were severely weak and disorganized economies, even fundamental state failures. Whilst the West attempted to hold together world order, economic and social pressures within the West were increasing and causing tensions to internal state order.

It is in this narrow window of 1989-2001, where societies and economies throughout the world began to experience the disconcerting absence of an economic 'grand strategy', where world order lost its dynastic dictates, and where the clues to a geoeconomic process of interdependency can first be found. Accordingly, the complex fabric of consequences to macro and micro-economic principles revealed and made inescapable by shifts in post Cold War geopolitical world order shall be examined in this thesis.

### *Post 9/11 Era: Destruction of Ideas*

On the morning of September 11, 2001, Islamist extremists hijacked four commercial jetliners and executed an act of murder-suicide by forcing the aircraft, loaded with fuel and civilian passengers, to crash into highly populated locations within the U.S.<sup>6</sup> The targets the terrorists chose symbolized U.S. financial, political, and military power, and constituted the first major foreign assault on the continental United States since 1814, when the British army

---

5 The dissolution, though, was not permanent. On December 8, 1991, a working alliance, The Commonwealth of Independent States (CIS) was established, consisting of 11 former Soviet Republics. Turkmenistan discontinued permanent membership as of August 26, 2005 and is now an associate member. Three Baltic States (Estonia, Latvia, and Lithuania) did not join this Commonwealth; instead, they joined the European Union in 2004.

6 Two of the planes were flown into the twin towers of the World Trade Center in the financial district of New York City. A third terrorist crew flew their plane into the Pentagon, headquarters of the U.S. military in Arlington, Virginia. The hijackers of the fourth airliner apparently intended to hit another target in the Washington, D.C., area, but passengers on that plane realized what was happening and attempted to regain control of the craft. This airplane, however, crashed in a field in rural Pennsylvania.

invaded Washington, D.C. More people were killed on U.S. soil on September 11 (2,981) than on any day since the American Civil War. The acts committed on this single day by only 19 persons—pledged not to any state, but to death itself—effectively ended the still yet emerging post Cold War world order, and established in its place a geopolitical revival for militaristic ‘grand strategies’, namely the U.S.-led ‘global war on terror’. The *al-Qaeda* network, a stateless and extremist Islamic faction led by Saudi exile Osama bin Laden, believes in an extreme and authoritarian form of Islam and is deeply opposed to Western influences in general, and Western influences within the Muslim world in specific. Such views are increasing in popularity throughout Islamic communities, especially amongst young men, many of whom feel alienated from their own governments and resentful of the power and prosperity associated with the United States and other Western countries. Bin Laden is seen as a champion by some Muslims for his willingness to stand up against the United States. But is the support of the Islamic faith truly his cause, or is this religious ‘patriotism’ merely a convenient and effective façade disguising nothing more than the global alienation of an entire culture?

A videotape discovered in Afghanistan in November 2001 prompted new understanding into the motivations of the September 11 hijackers and suicidal terrorists in general. Throughout history, terrorism as a tactic has played a significant role in several national struggles, in the Middle East and elsewhere. Countries as diverse as Israel, Cyprus, Kenya, and Algeria owe their independence to nationalist movements utilizing terrorism tactics. Even Japanese *Kamikaze* (“divine wind”) suicide squadrons ordered by the Japanese air force in the last months of World War II successfully utilized suicide tactics in the furtherance of their cause. Pilots flew their aircraft, loaded with explosives, directly into U.S. naval vessels. Sacrificing their lives in a last-ditch effort to stop the American advance, *Kamikaze* pilots sank about 40 U.S. ships. Most terrorists utilizing suicide as a tactic, however, view their death as a sacrifice to be made toward realization of a specific political goal. But the September 11 terrorists saw *death itself* as the goal, martyrdom as the highest form of worship to God. Other *al-Qaeda* documents discovered urges jihadists to ‘seek’ death and even to desire it. Traditional Islamic beliefs, which, like most other religions, emphasize the sanctity of life;

martyrdom is applied as a tactic only in extreme circumstances, when the survival of a community is at stake. A clear majority of Islamic theologians and Muslim leaders have declared that the September 11 attacks—with their deliberate aim of causing mass civilian casualties—contradict Islamic tradition.

The Cold War had been an era of world order based on the precept of deterrence between states and their allies adversarial to one another. But following the September 11 terrorist attacks, U.S. President George W. Bush committed the United States to a policy of *preemptive war*—the use of force to attack potential threats (in the main, stateless in origin) before they are able to fully threaten the United States. This policy, known as the *Bush Doctrine*, moved the United States away from its traditional reliance on deterrence as a military and world ordering strategy by instead advocating preemption—a principle that is extraordinarily vulnerable to subjective reasoning (as is tragically illustrated by the 2003 U.S. invasion of Iraq based on fears the state was amassing weapons of mass destruction to be used on neighboring states as well as the U.S., later to be proved as unfounded). Critical thinkers the world over are increasingly voicing concern that such a militaristic, asymmetrical and subjective grand strategy is evidently counterproductive to world order.

The RAND Corporation, in 2008, issued a study of U.S. insurgency and a counterinsurgency capability based on experiences from 90 separate conflicts since World War II, and concluded the U.S. lacks the capability to counter insurgency in the Muslim world. Further, the study found that when influenced by religious extremist leaders, local insurgencies become more violent, difficult to defeat, and apt to infiltrate their religious-centric views throughout even the moderate elements of local communities.

Our assessment of potential personnel and fiscal requirements, though approximate, indicates that the U.S. government currently lacks the capability to conduct adequate civil operations in all but the smallest countries afflicted by global-local insurgency. Even in these small cases, the potential requirement to conduct operations in multiple countries would quickly outstrip existing capabilities. One of the fallacies of post-9/11 U.S. strategy is the assumption that Muslims' disapproval of terrorism, which is invariably strong,

translates into Muslims' approval of the U.S. "war on terrorism." It does not. Poll after poll suggests that Muslims regard [global war on terror], as demonstrated in Iraq, to be a continuation of Western aggression and oppression. As a consequence, it has not been possible for the United States to gain support for its large-scale military presence and action in the Muslim world as a legitimate and necessary response to terrorism.

Heavy reliance on U.S. forces to counter [global-local insurgency] in the Muslim world is at best inadequate and at worst counterproductive. As a general approach, the United States must attempt to counter Islamist insurgency with the least possible use of its own military power consistent with preventing the jihadists from wreaking havoc, bringing down states in the Muslim world, and attacking the West.<sup>7</sup>

A wider view regarding tensions between several religions and the affairs of states, however, demonstrates that these root conflicts existing for centuries are inextricably entwined into the social fabric of all civilizations, impacting both the material and the ideal, and have yet to be confronted within a world ordering system. Today, multiple examples of inter-religious tensions are being played out, sometimes violently, sometimes subtly on the world's stage. The ultra-conservative religious right in the U.S. continues to fight against constitutional protection of a woman's right to abortion (yet, paradoxically, fights to strengthen and expand the use of the death penalty). Ultra-conservative Muslims continue to censure, prevent, and even destroy human production and creativity, from literature and sport, to centuries-old non-Islamic religious artifacts (such as the Supreme Court of the Islamic Emirate (Taliban) of Afghanistan destroying two colossal Buddha mountain carvings in the Bamiyan Province in 2001). Christian movements in the U.S. continue to wage legal battles with state education systems so as to prevent the theories of natural evolution to be taught in public schools, and instead, advocate the teaching of Biblical creationism.

As insurmountable as it may seem, for world order to be truly durable, the divisive aspects of values and religion require a definitive reconciliation. Presently, we are witnessing the conflict of

---

7 *War by Other Means: Building Complete and Balanced Capabilities for Counterinsurgency*, David C. Gompert and John Gordon IV, 2008, RAND Corporation.

values and religion being waged within a growing list of states and crisis zones, within the asymmetrical and stateless ‘war on terror’, and also within the stateless markets of global economies and even education. This thesis proffers the notion that durable peace cannot be found in any geopolitical or militaristic manner; rather civilizational diversity can only be finally reconciled by utilizing tools of an enlightened variation of geoeconomics to assist all diversities to coexist within a dynamic and balanced process of globally interdependent livelihoods.

In a process of geoeconomic interdependency, the seemingly opposing views of religion and secularism are not in point of fact opposing views, but rather they are kindred spirits, needing each other’s balance. In this thesis’ incarnation of a geoeconomic process of world interdependency, the balancing of power is no longer necessary, but a balancing of values is. This balancing of values is what civilizations have feared and avoided for generations. Our history seems to continually focus on symptoms rather than roots; on power rather than values; on exclusiveness of conformity and polarization rather than inclusiveness of creativity and interdependence. Evading the roots of interstate and intercultural relationships is now leading all our civilizations to the brink of catastrophe.

## 2. Consequences of World Order Decay: A Brief Glimpse

About 107 of the world’s nation-states, representing roughly 47% of the global population, presently cannot produce enough economic wealth to sustain their states.<sup>8</sup> These states have literally become welfare states, reduced to begging for help; or worse, literally selling their souls and bodies. To make matters even more volatile, these weak and non-productive states have become safe havens for organized corruption networks, gray markets, and militant extremism. Nearly US\$ 13 trillion is lost annually to the gray markets (about 23% of the total global production output), and

---

<sup>8</sup> A ‘failing state’ is one in which the government does not have effective control of its territory, is not perceived as legitimate by a significant portion of its population, does not provide domestic security or basic public services to its citizens, and lacks a monopoly on the use of force.

these losses are increasing as weak states grow weaker. Alarmingly, a world-wide nexus is forming between these gray markets, organized corruption networks, and fragile governments. It is this strengthening nexus and the vacuum of modern economic production that also provides fertile soil for a growing list of states lost to or threatened by inter-ethnic conflict, civil unrest, armed violence, even militant extremism—which quickly spreads beyond borders. But world order decay is also visible in the developed states.

- Mass public demonstrations and labor strikes are being staged by a global list of unemployed and disaffected workers, from France and England to Germany and India;
- Employment and immigration-related tensions are rising between multi-ethnic communities—even within states traditionally seen as committed to multiculturalism, such as the Netherlands and the United States;
- Sectarian/ethnic separatists or political radicals are increasingly employing populist and market protectionist measures with an aim to control and/or redistribute the wealth generated from natural resources such as oil—states such as Peru, Bolivia, and Venezuela are examples. By doing so, they begin to turn their backs on the global community, and become reclusive from world affairs and world order.

This does not even begin to address the potential military crisis zones presently threatening world order. From the Israel and Palestine conflict, to Iraq, Iran, Afghanistan, and North Korea—geopolitical world order has increasingly become impotent to resolve this growing list of crises. Increasingly, militant extremism, global acts of terrorism, even nuclear proliferation, is now the very foreshadowing of an approaching age of political and even economic chaos. And now, world order is progressively being threatened by dramatic changes in the deterioration of the planet's ecosystems, which directly affects natural resources capacities and territorial ownership of these capacities.

Global warming—due largely to our ravenous burning of fossil fuels for purposes of industry and personal transportation—is already contributing to the reduction of polar ice caps, and in turn, to the rising of sea levels (which threaten the nearly two-thirds of the world's population which reside in low-lying coastal regions).

Forests (used for timber) and agricultural crop yields are increasingly being diminished by the dramatic rise in temperatures. Shortages in potable water now have an effect on at least 26 countries, whilst global water demand has already quadrupled since the 1950s.

As populations grow, states—so as to maintain state order—will increasingly be burdened to either provide for a constant rise in their standards of living (and thus increase the demand for natural resources and the threats to the planet’s ecosystems), or to somehow use force of arms and coercion as did the despots during the Cold War so as to pacify and contain their weakening civilizations. In a world where roughly 1.3 billion people are either unemployed or underemployed, it is unavoidable to assess that geopolitics is simply a futile tool to provide for both a constant rise in standards of living on a global scale as well as protect the planet’s natural resources and ecosystems. This cumulative nexus of sociological, economic, and ecological tensions affecting weak states, power states, and crisis zones is a dangerous indication of a decaying world order system—which for generations, has been preoccupied with polarization and conformity rather than interdependency. But symptoms are merely indicative of an underlying disease.

These symptoms, when considered collectively, reveal a common link existing between weak states, power states, and crisis zones. The common linkage, the indication of an underlying disease explaining the decay of world order and potential chaos awaiting us all: the global imbalances of the essence of economics, the imbalances of *livelihood*. The lack of economic sustainability may be somewhat easy to understand in the case of weak states. Economic instabilities may be more difficult to understand, however, in the case of the long-established economic power of developed states and even more difficult to understand in the case of crisis zones. Our natural inclination is to think that crisis zones are simply victims of a ‘clash of civilizations’—but as will be explained later, this is not actually the root cause of conflict within crisis zones, and that it is economic instabilities which are the foundations of inter-ethnic tensions.

Here, we examine a series of distinct and interrelated links impacting interstate dynamics.

### 3. Evolving Economies Expose Decaying World Order

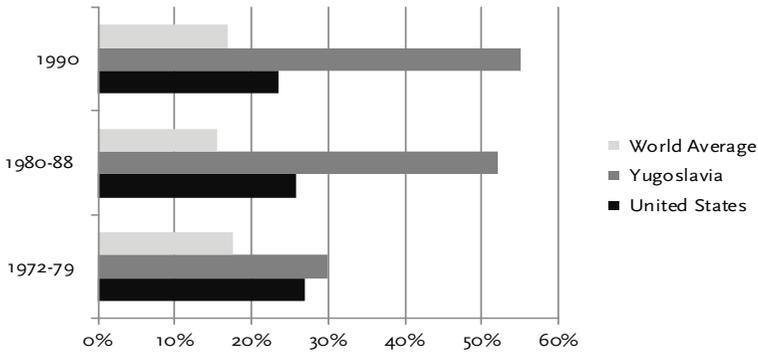
#### *Militaristic & Politicized Economies*

For several centuries, and particularly with respect to the two World Wars and the Cold War, economies have been inextricably linked with militarism. Whether it was a monarch from the Middle Ages imposing taxes on wealthy land owners so as to equip a military venture, or whether it was a substantial percentage of a nation's industrialized 20th century workforce specifically integrated into a mass production based military-industrial economy, power of the elites and the livelihoods of the public have been long-conjoined by militaristic economies. Relating to the notion of military-industrial economies contributing to overall economic growth within highly industrial states, Benoit (1973, 1978) extended the notion to developing countries. Although Benoit initially found a slightly positive association between high military expenditures and high economic growth in developing nations, subsequent testing of the Benoit thesis has produced substantially contradictory evidence.

Generally, military expenditures promote growth by contributing to national productive capacity, such as construction of general-use public infrastructure, demobilization of trained personnel, or even military technologies transferred to the civilian sector. However, in the developing nations that import a substantial proportion of their military equipment, the opportunity for positive economic spin-offs is constrained. Substitution of military expenditures for private sector economic development expenditures is almost always detrimental to growth and economic development. To briefly illustrate this, Table 1 (next page) shows a comparison of late Cold War era military expenditures to central government expenditures for the U.S. and Yugoslavia (Sources: SIPRI, ACDA, IMF):

.....

Table 1 - Military Expenditures as % of Government Expenditures



As Table 1 illustrates in brief, each nation-state is impacted differently vis-à-vis its interdependence upon military expenditures. As will be more specifically explained later, the ultimate failure and break-up of Yugoslavia in 1991-92 was substantially due to the state's inability to adapt to the end of the Cold War and convert its vast militaristic economy to a consumer-based economy (at the time, Yugoslavia possessed the fourth largest military in Europe). Obviously, when militarism plays such a vital role in the economic stability, growth, even global power of a nation-state, not only does nationalism impact external relations of a state, but the internal state dynamics of industry development and even taxation are also beholden to political processes tied to militarism. Thomas "Tip" O'Neill—a longtime Speaker of the House in the U.S. Congress—once declared, "*All politics is local.*" He was explaining how the problems and concerns of towns and cities around the country affect the actions of their representatives and senators in Washington, D.C.

Thus, once a militaristic economy (or any under-diversified economy) becomes entrenched into the social-political fabric of a society, and local jobs are consequently dependent upon a limited type of economy, it is certainly understandable that individual citizens and their political systems fear and actively evade changing the focus and nature of the local and/or state economy. This very human condition can also be expanded to explain the relationships between world geopolitics and local wealth generation ramifications.

Another maxim serves as the fulcrum to understanding the nature of geopolitical world order between the 17th and 20th centuries: “*War is good for the economy.*” But what happens to economies when war ends?

### *End of the Cold War Unmasked a World of Despots*

When the Cold War ended and the Soviet Union dissolved, militaristic economies were no longer sustainable or politically feasible, and this at last revealed the essential structural weaknesses of a bipolar geopolitical world order and its inherent militaristic economies. States, which had for decades been aligned with either capitalist-democratic U.S. or communist-authoritarian Russia, suddenly found themselves without financial backing or tangible political support. Without financial subsidization, the despots ruling these economically weak and unsustainable states were finally seen to be exactly what they were: despotic and corrupt. During the Cold War, geopolitical world order had closed its eyes to the often brutal methods used by despots to pacify and control their populations—just as Machiavelli had expected. Whilst the human villains in this global drama were being slowly unmasked, and an ever-growing list of ransacked and corrupt economies were finally made visible to the global community, several other subplots were more quickly unfolding in an array of converse directions, each impacting world order in profound and disturbing ways.

### *No Cold War Alliance, No Money*

Reductions in geopolitical subsidies to the Latin America region throughout the 1980s prevented the states in the region to sustain their high levels of public spending—and this rapidly led to economic stagnation, hyperinflation, and loss of access to foreign credit. The entire region spiraled deeper into financial crisis. Since the U.S. imported a substantial percentage of its oil from the Latin America region, any economic disruptions in the region would economically jeopardize U.S. oil demand. In an attempt to find a solution to the growing Latin America financial crises, John Williamson, an economist from the Institute for International Economics in Washington, D.C., synthesized the commonly shared views and policy solutions

held at the time by policy advocates from Washington-based institutions. Williamson labeled these synthesized policies the “Washington Consensus”. The consensus included political and economic reforms that should be imposed upon and undertaken by the Latin American states (and later, other states):

- Fiscal policy discipline
- Redirection of public spending toward education, health and infrastructure investment
- Tax reform—Flattening the tax curve: Lowering the tax rates on proportionally high tax brackets (above median income), and raising the tax rates on the proportionally low tax brackets (below median income); lowering the marginal tax rate.
- Interest rates—market determined and moderately positive in real terms
- Competitive exchange rates
- Trade liberalization—replacement of quantitative restrictions with low & uniform tariffs
- Openness to foreign direct investment
- Privatization of state enterprises
- Deregulation—abolition of regulations that impede entry or restrict competition, except for those justified on safety, environmental and consumer protection grounds, and prudent oversight of financial institutions
- Legal security for property rights

Critics of the Washington Consensus in specific and trade liberalization in general, view these policies as a one-sided means to make accessible the labor market of underdeveloped economies to exploitation by corporations from more developed economies. The prescribed reductions in tariffs and other trade barriers are designed to allow the free movement of goods across borders according to market forces, but the parallel component of free markets, labor, is not permitted to move freely due to strong immigration and visa laws protecting the more developed economies. This imbalanced version of free market dynamics, then, creates an economic climate where goods are manufactured using cheap labor in underdeveloped economies and exported to prosperous economies. The bipolar criticism of this Washington Consensus version of ‘globalization’ is that,

on one hand, workers in the less developed economies remain poor (as any pay increases they receive over what they made before trade liberalization are typically offset by massive swings in inflation). On the other hand, workers in the more developed economies fall victim to unemployment/underemployment caused by labor ‘outsourcing’. Seemingly, within the construct of the Washington Consensus, the lone beneficiary of globalized wealth are the owners of the multinational corporations exploiting the labor and natural resources of less prosperous markets.

Anti-globalization critics further argue that prosperous states predatorily impose the Washington Consensus’ policies on economically vulnerable countries through organizations such as the World Bank, the International Monetary Fund, the World Trade Organization, and the Debt Restructuring Clubs<sup>9</sup>—using political pressure and even coercion. These critics argue that the Washington Consensus has not in fact led to any great economic boom in Latin America, but rather to an accumulation of crippling external debts that render the target country beholden to the lenders. Indeed, as a consequence of the mounting weight of sovereign debt and the resulting debt forgiveness policies of the Paris and London Clubs, public taxpayer funds from prosperous states which initially funded the World Bank/IMF debt schemes have also been written off as financial losses. Specific to the less developed economies, many of the reforms (e.g. the privatization of state industries, tax reform, and deregulation) have been criticized as mechanisms for ensuring the development of a small indigenous monied elite within these developing states—who, ostensibly, rise to political power and then have a vested interest in maintaining the local status quo of labor and

---

9 *The Paris Club* is an informal group of financial officials from 19 of the world’s richest countries, which provides financial services such as debt restructuring, debt relief, and debt cancellation to indebted countries and their creditors. Debtors are often recommended by the International Monetary Fund after alternative solutions have failed. The club grew out of crisis talks held in Paris in 1956 between the nation of Argentina and its various creditors. Its principles and procedures were codified at the end of the 1970s in the context of the North-South Dialogue. In the 1990s, the club began to treat the HIPC (Highly-Indebted Poor Countries) and non-HIPCs differently. The club began to grant increasingly larger debt reductions for the HIPCs. For the non-HIPCs, the club engaged less in debt reductions and moved towards encouraging the absorption of non-HIPCs’ financial losses by bondholders and other private creditors. The London Club is similar to the Paris Club of public lenders. Its first meeting took place in 1976 in response to Zaire’s payment problems. Unlike the Paris Club, the London Club primarily only reschedules commercial debt.

natural resources exploitation. The bedfellowed forces of democratization and gray markets, however, would soon and overwhelmingly threaten the coveted status quo, and erode the very ability of geopolitics to maintain world order.

One of the festering embers left over from the Westphalia Treaty relates to how non-Western and theocratic societies tend to view Western societies and their economies as being religiously and morally corrupt (materialism at the expense of others). An imbalanced form of globalization easily plays into these festering principles. Geopolitical manipulations of democratization, the often predatory use of trade liberalization and debt dependence, and the massive global reach of organized corruption networks and gray markets—these viruses collectively invading the weakened body of geopolitical world order are seen within the prism of values (religious or secular) as being a mortal threat to both world order and religious concepts.

However, later portions of this text peer a bit deeper beneath this relationship between world order and the Washington Consensus version of globalization to view the nuances and reconciliatory aspects of a different type of globalization—a form of globalization predicated on the global interdependency of livelihood; a globalization which balances materialism with responsibility—geoeconomics.

### *Aligned or Non-aligned: Same Ending*

At about the same time as the financial crises affecting Latin America, Yugoslavia<sup>10</sup>, one of the most powerful yet neglected non-aligned states, also spiraled into economic crisis. The state became tragically mired in violent civil and military conflict from 1991-95, and ultimately broke apart and dissolved as a state. The Yugoslav economic crisis was the product of disastrous errors by the Republic's six constituent governments in the 1970s, borrowing vast amounts of Western capital in order to fund growth through exports (about 51% of its collective exports were based on military equipment sales and infrastructure engineering to both superpower

<sup>10</sup> On January 31, 1946 the new constitution of Federal People's Republic of Yugoslavia, modeling the Soviet Union, established six constituent republics and two autonomous provinces. The republics were: Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia, and Slovenia. Two regions located within the borders of Serbia were granted limited autonomous rights: Vojvodina and Kosovo.

military alliances)<sup>11</sup>. The 1970s recession of Western economies then reduced demand for Yugoslav military and infrastructure engineering exports and created an unmanageable debt burden with no visible way to generate new forms of revenue.<sup>12</sup> External pressure from the IMF, inspired by the Washington Consensus, then forced the Yugoslav governments to accept the IMF's policies and stipulations—which shifted the burden of the crisis from the government budgets more directly onto the Yugoslav working class. In 1984, the Reagan administration adopted a geopolitically-motivated 'Shock Therapy' proposal to push Yugoslavia towards a capitalist restoration. This, naturally, undermined a central pillar of the Yugoslav state: the socialist link between the Communist Party and the working class.

Yugoslavia's Shock Therapy program would reverberate throughout global geopolitical consequences for decades to come. As an example, the bankruptcy law to liquidate public enterprises—enacted in the 1989 Financial Operations Act and requiring that if an enterprise was insolvent for 30 days running, it had to settle with its creditors either by giving them ownership or by being liquidated—abruptly terminated hundreds of thousands of jobs from the economy, normally without even providing severance payments to terminated workers. In 1989, according to official sources, 248 firms were declared bankrupt or were liquidated and 89,400 workers were laid off. During the first nine months of 1990 directly following the adoption of the IMF program, another 889 enterprises with a combined work-force of 525,000 workers were liquidated. In other words, in less than two years “the trigger mechanism” (under the Financial Operations Act) had led to the termination of more than 600,000 workers out of a total industrial workforce of about 2.7 million (22%). A further 20% of the work force, or half a million

---

11 Yugoslavia, via public enterprises such as Energoinvest, Genex, Hydrogranja, and others, provided infrastructure engineering on large-scale projects ranging from water ports in Iraq to hydroelectric dams in the U.S. In turn, these public enterprises reinvested their substantial revenues (billions USD per year) not in Yugoslav social and economic development, but rather in massive foreign real estate holdings. At the outbreak of the 1992-95 conflict, most, if not all of these real estate holdings were quietly embezzled by political party leaders controlling these public enterprises.

12 Many have cited that the economic relationships between Western economies and states such as former Yugoslavia are now being mirrored in modern-day China and India. Economic stability between the Western and Chinese/Indian markets is constantly under threat from any possible recession in Western markets.

people, were not paid wages during the early months of 1990 as enterprises sought to avoid bankruptcy.

Obviously, when an economy suffers this type of abrupt shock, not enough disposable income can be generated to the extent that public consumption can hope to maintain revenue generation into the remaining companies—and these remaining companies, too, rapidly became insolvent, and collapsed. The largest concentrations of bankrupt firms and layoffs were in Serbia, Bosnia-Herzegovina, Macedonia and Kosovo. Real earnings were in a free fall, social programs had collapsed creating within the population an atmosphere of social despair and hopelessness. This was a critical turning point in the Yugoslav tragedy—a tragedy which would come to have dire consequences for the entire European region. And a tragedy that would come to be repeated throughout an ever-growing list of unsustainable states unmasked by the end of the Cold War.

In 1990, newly elected regional governments recognized that Yugoslavia, as a state, was no longer economically sustainable, and under increasing threat of civil and ethnic violence. In a move that was a paradoxical mix of pragmatism and ultra-nationalism, regional government leaders, in a bid to avert armed conflict, then turned their efforts to the break-up of the country. Disastrously, these sometimes ultranationalists, sometimes pragmatists, were aided by the U.S. government's stance to emasculate Yugoslavia's socialist cohesion in favor of pushing ahead with the Washington Consensus-based Shock Therapy program. Even though Yugoslavia was a European state, it was the U.S. which dictated Yugoslav policy in the 1980s and 1990s.

The few European states with strategic (economic and/or geopolitical) interests in the Yugoslav theatre tended to favor fragmentation (particularly Germany, which desired a greater role in NATO, and thus argued for substantial German military expansion in response to any destabilization caused by the break-up of Yugoslavia). The economic and political break-up of Yugoslavia, and its wider geopolitical consequences, would continue to erode the capacity of geopolitics to maintain world order. In the end, the break-up of Yugoslavia might suggest the region was just another chess-piece being manipulated on the global stage of the balance of power. As a state without an economy, Yugoslavia's only remaining relevance to the larger world was its geopolitical alignment.

### *Reshuffling of Global Power*

A mixture of multiple post Cold War world events—caused in large part by reductions in geopolitical subsidies throughout the world—would reshuffle the owners of global power. With the two superpowers reduced to only one hyper power, the U.S. was finally free to pursue its seemingly manifest destiny to globalize democracy. Neoconservative factions (underpinned by the notion of using force of arms to impose democracy throughout the world) joined forces with neoliberal factions (underpinned by the Washington Consensus agenda favoring the opening of foreign markets by political means, using economic pressure, diplomacy, and/or military intervention). This ‘unipolar’ agenda is still being waged on three fronts of political geography: the ‘heartland’ of Eastern Europe, the Middle East, and China/India. A fourth front, North Korea, is being waged with a different geopolitical tool: international isolation.

Halford Mackinder<sup>13</sup>, best known for his doctrine of the *Heartland*, proffered a zero-sum geopolitical strategy to achieve the endgame of controlling the Heartland (the vast transcontinental land mass of Eurasia, encompassing Eastern Europe, Russia through Siberia, and Central Asia). The Heartland, together with the remainder of Asia and Africa, made up the ‘World Island’. The Heartland itself was defined by its inaccessibility to sea, making it “*the greatest natural fortress on earth.*” Mackinder argued the Columbian Age, dominated by sea power, was coming to an end to be replaced by a new Eurasian age in which land power would be decisive. The development of land transportation and communication meant that land power could finally rival sea power. In the new Eurasian Age whoever ruled the Heartland, if also equipped with a modern navy, would be able to outflank the maritime world—the world controlled by the British and U.S. empires. In *Democratic Ideals and Reality* Mackinder designated Eastern Europe as a strategic addition to the

---

13 Halford Mackinder was Director of the London School of Economics (1903-1908) and a Member of Parliament from Glasgow (1910-1922). He began to develop his geopolitical ideas in 1904 with his essay *The Geographical Pivot of History*. Mackinder was a strong advocate of British imperialism, arguing that colonies in Africa and Asia constituted a safety valve for European society, and that a closure of the world to European imperialist expansion would lead to the unleashing of uncontrollable class forces within European societies. Central to his analysis was the recognition that the frontiers of the world were closed, resulting in heightened inter-imperialist rivalry.

Heartland—the key to the command of Eurasia. Thus arose his oft-quoted dictum:

- *Who rules East Europe commands the Heartland*
- *Who rules the Heartland commands the World-Island*
- *Who rules the World-Island commands the World*

As the end of the Cold War led to the break-up the old Soviet Union, the military-enforced grip of communism on Central Europe diminished, and a new type of Cold War was initiated within the region—this time using the soft power tools of neoliberal economic development and ‘nation-building’. This time, the main actors were no longer limited to the militaristic muscle of the two historical superpowers, but now included an army of Non-Governmental Organizations (NGOs) from almost every nation on earth. Still, however, the sheer economic power of the U.S. holds sway over the use of soft power tools. The European continent has also embarked on its own behemoth ‘balance of power’ quest. The European Union’s 27 member states cover an area of over 4 million square kilometers and have approximately 490 million inhabitants as of December 2007. The European Union’s member states, combined, represent the world’s largest economy by GDP, the seventh largest territory in the world by area and the third largest by population.

A vibrant theme which continues to run within the European Union as it contemplates even further expansion of other Central and Southeastern European states is the notion of creating a global economic and political superpower to rival the United States. The continent’s elites, illustrated by a revitalized Franco-German alliance between (former) French President Jacques Chirac and (former) German Chancellor Gerhard Schroeder, eagerly envisioned a super-state to ‘counterbalance’ what they deemed reckless American power. Also not to be outdone, the community of Islam (both moderates and extremists) is making sure its constituents are not forgotten on the world stage. Moderate Islam also utilizes sophisticated soft power tools in the process of ‘nation-building’ by financing the construction of mosques, political parties, and social welfare programs within developing states (including Bosnia-Herzegovina). Extremist Islam utilizes guerrilla warfare tactics (terrorism) in an attempt to counter incursions of foreign influences within traditional Muslim populations. Finally, we cannot forget the still existent and possibly

escalating geopolitical and economic influences of Russia and China. As components of the ultra-rapidly growing BRIC economies (Brazil, Russia, India, China), and as projected by multiple studies, including the renowned Goldman Sachs study summarized below:

By 2050, the BRICs' economies together could be larger than the G6 in U.S. dollar terms. By 2025 they could account for over half the size of the G6 (U.S., Japan, Germany, France, Italy, UK). Currently they are worth less than 15%. In U.S. dollar terms, China could overtake Germany in the next four years, Japan by 2015 and the U.S. by 2039. India's economy could be larger than all but the U.S. and China in 30 years. Russia would overtake Germany, France, Italy and the UK. Of the current G6 only the U.S. and Japan may be among the six largest economies in U.S. dollar terms in 2050. India has the potential to show the fastest growth over the next 30 and 50 years. Despite [the overall economic growth of the BRICs], individuals in the BRICs are still likely to be poorer on average than individuals in the G6 economies by 2050. Russia is the exception, essentially catching up with the poorer of the G6 in terms of income per capita by 2050. China's per capita income could be similar to where the developed economies are now (about US\$30,000 per capita). By 2030, China's income per capita could be roughly what Korea's is today. In the U.S., income per capita by 2050 could reach roughly US\$ 80,000. Demographics play an important role in the way the world will change.

As a direct consequence of the post Cold War power states and their seemingly manifest destiny to impose the ideologies and institutions of democracy throughout the world, these new democratic institutions—spread throughout civilizations and cultures both different and similar to the Western Civilizations—possess the profound potential to alter the entire landscape of political, social, ethical, and economic debate away from the old leviathans of the West to new and extraordinarily diverse voices of power. We can already glimpse how these shifts are beginning to reshuffle centers of geopolitical power and world order.

Throughout the 1980s, trade between the African continent and China amounted to only about US\$ 10 million, but in 2006, over US\$ 55 billion. It is not only the Chinese growing thirst for oil and other

natural resources that is important to note. It is the Chinese (and Russian) method of trade and investment in the region that is already causing uncomfortable movement in the geopolitical world order. Indeed, China prides itself on having a completely different approach to foreign trade and investment than the West. Whereas the World Bank and other Western institutions often impose stipulations on their investments, like reducing corruption and distribution of state revenues to public services, etc., China's capital is offered with no strings attached. The Chinese abide by their own tenet of international relations: they treat other people the way they would want to be treated (meaning, no interference in a state's domestic affairs). And African governments, growing increasingly corrupt and dictatorial, almost without exception, welcome the Chinese approach to trade and investment. Even African governments that enjoy some level of freedom from corruption, also respect the Chinese approach essentially because they have grown tired of having policy dictated to them by paternalistic foreign diplomats and of having to follow often blatantly self-serving and amateurish fads in international development and nation-building.

On the Middle East front, in the nation-building theatre of Iraq as an example, religious clerics hold the centers of power. The methods these clerics use to gain, then retain their power are quite different than the Chinese approach—they carefully focus their 'investments' to provide their constituents with the essential elements of economic and social services support. Funds are provided for bakeries, small farms, housing, clothing, water, and other necessities. The clerics pragmatically tolerate 'democratic political institutions and leaders' to interface with the international aid organizations so that the larger infrastructure projects such as electricity generation and distribution and roads can be funded. But for sure, the religious clerics are the centers of power throughout much of the less industrialized and less economically diverse Middle East. In return for their local investments, the clerics are repaid with the loyalty of their housed, fed, and grateful constituents. Since the vast majority of the international community's nation-building efforts are geopolitical in nature—and thus primarily focused on imposing various Western ideological and political policies and institutions—there really is no way these geopolitical objectives can provide basic citizens with tangible economic stability.

From a modern knowledge economy perspective, it is often difficult to appreciate exactly what tangible benefits the power states would gain if and when the Heartland, Middle East, and/or China were to be fully democratized. The weak and labor-intensive economies of the Heartland, as an example, bear almost no resemblance to the technology and innovation-based economies of the OECD states. Whilst the international community continues its attempt of global democratization, organized corruption networks and the gray markets have filled the economic vacuum and invaded both the economic space and the sociopolitical heart of the Heartland. This corruption-gray market virus cannot be contained within the borders of the Heartland, or by any borders at all. The disease of the 'informal economy', as later sections shall clearly demonstrate, is a more potent and destructive force than any military army conceivable. As history has shown, when a plague begins to spread, the first two things a community does: it closes its doors to strangers, and it marks the doors of the diseased. It is this plague-infested economy, then, that will present world order with its greatest threat.

Relative to the Middle East, however, it is much easier to appreciate exactly what tangible benefits the power states would hope to gain if and when the Middle East were to be fully democratized and under the influence of the Washington Consensus: quite simply, access to substantive volumes of oil. No deeper explanation, here, is necessary. It is absolutely clear that Western economies (along with the 'outsourcing' economies of China and India) require increasing supplies of oil to meet the energy demands of both production and consumption—no matter the cost. To keep the globalized economy going, oil and other natural resources used for manufacturing are now seen to be the spoils of balance of power. Control of oil, protectionism, segregation, and polarization—all are increasing in their appliance and ferocity, and all are creating an ever-widening gap between prosperous and impoverished states, and thus, rapidly moving world order closer to the edge of chaos.

### *Econometric Dynamics & a New Paradigm of Livelihood*

The emergence of 21st century econometric dynamics (specifically, the radical transformation of the relationship between taxation, debt, and equity on creating new types of jobs), finally becomes

the critical straw that now is breaking the back of geopolitical world order. These transformations affect not only the formation and use of capital, but the very nature of our relationship to labor, to livelihood—on a global scale. When our individual livelihoods are subject to change, societies and world order become vexed and inward looking. The glue begins to weaken. Old wounds begin to poison our relationships. Strangers are rudely made to feel unwelcome. Like the frightened populations stalked by the Black Plague, doors are shut, and marked with symbols that either provide cohesion or division. Geopolitical polarizations only exacerbate the wounds. The brink of chaos seems closer, even inviting.

This emergent knowledge and technology-based economic paradigm of the 21st century, and its revolutionary impact on both life systems and international affairs, then, is the real starting point for this thesis. The clash of changing livelihoods is a global phenomenon. All politics may be local. But all economics—and the political systems which attempt to border various economic spheres—are also global. Because of its global-to-local and local-to-global reach, the very ingredient of livelihood that now threatens world order, could actually be the very factor that unites the peoples of the world within an age of perpetual peace. The old dynasty of geopolitical world order (grounded for so long in the competitive and polarizing world of real estate, natural resources, and brute labor) now comes face to face with its nemesis of geoeconomic interdependencies (emanating from the ether of the ‘stateless’ world of knowledge, innovation, and value... the ether of ideas). The asymmetrical variance of state versus the stateless.

### *Transformation of Capital*

*“Render therefore unto Caesar the things which are Caesar’s...”*  
(Matthew 22:21).

From the earliest of times, the levying of taxation (or *corvée* labor in feudal societies) by a government upon the general public under its rule, has never been without controversy, or even violent conflict. Many a war has been engaged due to imbalances (perceived or real) between those that pay versus collect taxes. One of the nearly universal aspects of taxation throughout history has been the fact that governments levy taxes so that some ‘Grand Strategy’ can be

financed and implemented. Many of the earlier imperialist and colonialist grand strategies focused on the direct control of geographic territory and natural resources. These endeavors, certainly, required substantive wealth to equip and train the militaries of the day, the 'hard power' harbingers of past grand strategies. Modern grand strategies are carried out by a mix of hard (military) and soft (such as the Washington Consensus) power tools. U.S. President, George W. Bush commented in his State of the Union Address (January 31, 2006), "*America is always more secure when freedom is on the march.*" Tax revenues are used to fund and implement these grand strategies. And particularly since the First World War, the 'military-industrial complex' has been a vital stimulus for job creation.

The idyllic 'American Dream' was largely supported by dramatically expanded military investment from the 1950s right up to the end of the Cold War in 1989. During that period, private corporations that had never been involved in providing goods or services directly to the military soon came to view the U.S. Department of Defense (DoD) as their best customer. By the mid-1950s, there were over 40,000 defense contractors working for the federal government. By the 1960s, more than half of all government expenditures were appropriated to the military budget. By the 1970s, the DoD had more economic assets than the 75 largest corporations in America, combined. In addition, most of the positions created by defense spending were high-wage jobs. Military spending thus contributed to a substantial growth in U.S. median income in this period. When an economic recession emerged in 1956, President Eisenhower responded by allocating more money to defense, not by supporting public works projects as Roosevelt had done. At the end of his second term, Eisenhower, himself, warned Americans the growing relationship between defense contractors and the federal government posed not just a long-term, but an impending threat. In his 1961 farewell address, he coined the term "military-industrial complex." Throughout the 1960s and 1970s, many in American society still happily touted the maxim: "*War is good for the economy.*" Taxes funded these jobs and the American Dream. Taxes levied on a single individual funded the creation of other jobs. Taxes levied on those new jobs, then, funded the creation of even more jobs.

The cycle seemed both limitless and beneficial to all. But the Cold War finally ran its course and came to an abrupt close. Large mili-

taries were suddenly no longer necessary or even fiscally feasible. Taxes previously used to fund the large and bulky militaries were no longer appropriated to military budgets, and hastily given back to corporations and individuals for the purpose to create new private sector economic opportunities. The 'peace dividend' was the long overdue light at the end of a very dark tunnel of global tension. Almost overnight, and without adequate knowledge or tools, it was now up to individuals and corporations of society to create their own 'grand strategy'. Still, today, after more than 15 years from the end of the Cold War grand strategy, neither the U.S. nor the global private sector has been able to design or communicate any type of alternative grand strategy (other than from time to time, momentarily reverting back to operate within the stragglng geopolitical-based Washington Consensus strategy). However, as stated before, the neoliberal strategy of the Washington Consensus benefits few whilst injuring many, and cannot be sustained.

Consequently, when the Cold War ended, tax revenues no longer became the formation of capital which created jobs. Private capital in the hands of corporations (corporations acting both as producers and consumers) and individuals (individuals acting as consumers, shareholders, and even primary investors), then, became the initiators of new jobs and new types of wealth. From pre-21st century taxation to 21st century consumer sales, equity and debt financing—this complete about-face in how capital is formed to create jobs has caused immense fractures in the old, elitist geopolitical-based economies and world order. It has even changed the face of democracy itself. And equally, has created a vacuum into which organized corruption and the meteoric rise in global gray markets now grows increasingly potent.

### *Transformation of Livelihood*

Now that the capital available to governments for job creation purposes (*vis-à-vis* taxation) has been increasingly transferred to the private sector (*vis-à-vis* equity, debt investments), four questions arise: 1—into what vehicles do we invest?; 2—what kind of jobs do we create when we invest?; 3—how do we govern these investments and jobs?; and 4—for what purposes do we use tax revenues? It is now the small business sector (Small and Medium-sized Enter-

prises, or SMEs) which not only creates a considerable percentage of new jobs of the West, but actually is responsible for a substantial volume of new innovations, products and services. And importantly, within the knowledge-economy markets of the OECD states, these innovations, products and services are often 'converged' into a myriad of other innovations, products and services—an example of this might be an SME which innovates the software 'encoding' of video, music, or picture files, then licenses that software to thousands of other corporations which produce on-line digital content, which then utilize software developed by other SMEs to implement an on-line payment transaction as individuals purchase the on-line content.

Another example might be a group of science researchers from the academic sector which partners with early-stage financial and management specialists so as to jump-start the pharmaceutical applications of their research. Once these pharmaceutical applications demonstrate some level of economic marketability, they are acquired by the larger multinational pharmaceutical companies. Profits from these acquisitions, then, are shared between the researchers, financial and management specialists, and the academic institution which initially provided the research environment—thus, subsidizing the education system itself. Without these innovations, products, and services being interdependent upon each other, markets would operate substantially less efficiently and profitably—and the consumer would often be dissatisfied with the level of value provided within the markets.

And this concept of 'value' within the consumer markets is also evolving quite rapidly. When an individual consumer consummates a purchase, the 21st century consumer and retailer are embarking upon a relationship that is long-term in nature (it is about 90% less expensive to market to an existing customer than a new one). The consumer wants to be confident that if the product, say, does not fit or is otherwise not functioning properly, the product can be returned to the retailer for either a refund or replacement. Or perhaps the consumer would like to be notified by mail, e-mail, or even phone when the next sale is planned. In a vast number of non-OECD markets, a retail sale is, in comparison, unsophisticatedly consummated; neither the consumer nor retailer is concerned about any long-term relationship. Once the sale is made, both the

retailer and consumer go their separate ways, perhaps to meet again, perhaps not. This is another tangible example of how the gap is widening between developed and less-developed market economies. Further, the majority of corporations (large or SME) operating within the less-developed markets are in the main not a contributor to the innovation cycle—rather, they simply trade already existing products and services innovated by someone else.

Thus, the less-developed markets do not reap the larger benefits from intellectual property revenues. Put crudely, *value* in OECD markets is increasingly being defined by innovation, interdependency, service, and knowledge; whereas in non-OECD markets is limited to physical applications of real estate, natural resources, traded goods, and brute labor. Human existence is being categorized into the diametrically opposing spheres of intellectual property and earthly property. And existing within these polarizing applications of *value*, are very opposing functions of livelihood, moral values, and social governance. In a military-industrial economy, innovation is initially funded by governments and their militaries (*vis-à-vis* taxation revenues). Once the innovation has been installed within the primary objective of securing superiority in military readiness, then the technology is sometimes, but not always, ‘commercialized’ and released to the general public (from a plethora of medical technologies developed originally for space exploration, to the Internet<sup>14</sup> itself, and even Tang<sup>15</sup> instant drink). But in 21st century markets, innovation is now primarily being developed for and exploited by the private sector, and thus is being principally funded by the private sector (*vis-à-vis* sales revenues, equity, and debt financing). Statistically, SMEs within the OECD marketplace comprise about 90% of all corporations, employ about 60% of the entire workforce, and contribute about 40% of the total GDP. Economic contributions

---

14 The USSR’s launch of Sputnik spurred the United States to create the Advanced Research Projects Agency in February 1958 to regain a technological lead. On October 29, 1969, ARPANET, the “Eve” network of today’s Internet, began operations. It wouldn’t be until 1991 when the European Organization for Nuclear Research (CERN) developed the World Wide Web project which finally established a global standard for posting, searching, and browsing content on the Internet, and thus provide the technical tools to allow the global public to utilize the Internet.

15 The original orange flavored Tang<sup>®</sup> was formulated by General Foods Corporation in 1957 and first marketed (in powdered form) in 1959. It was initially intended as a breakfast drink, but sales were poor until NASA began using it on Gemini flights in 1965. For a decade it was associated with the U.S. manned spaceflight program by many consumers.

of intellectual property (IP) industries to the U.S. economy, in the 21st century, are vital, and are:

- The most important growth drivers in the current U.S. economy, contributing nearly 40% of the growth achieved by all U.S. private industry and nearly 60% of the growth of U.S. exportable high-value-add products and services;
- Gross domestic product (GDP) 10-year growth estimates would be approximately 30% lower than current predictions without the contributions of these industries;
- Essential contributors to U.S. GDP, responsible for 1/5 of the total U.S. private industry's contribution to GDP and 2/5 of the contribution of U.S. exportable high-value-add products and services to GDP;
- Among the largest and highest-paying employers in the country, representing 18 million workers who earn on average 40% more than other U.S. workers;
- Increasingly contributing to the U.S. economy—in 2003 the 'core' copyright industries contributed US\$ 33 billion in reported net export revenues, and the patent-dependent aerospace industry reported 2004 net export revenues of US\$ 32 billion; these two sectors are the largest positive contributors to U.S. balance of trade.

From the transformation of capital formation to the transformation of livelihood—these dramatic shifts in market dynamics have profoundly altered the foundations of not only economics, but also of society and politics. The new livelihoods emanating from 21st century innovations and their markets (existing almost exclusively in power states, generally the OECD states) are now in stark contrast to the old livelihoods found within weak states and crisis zones. The very rationale and institutions of geopolitical grand strategies and their polarizing effect upon global economics are now dated, even contradictory to the objectives of global economics, and now require a complete re-think. Geopolitical institutions such as the World Bank and the World Trade Organization (WTO) bear little relevance to 21st century intellectual property-based wealth generation.

The very ebb and flow of capital and intellectual property across the globe completely alters the mechanics of taxation, equity and debt formulation, the rule of law, and even the definitions of *value*

itself. Intellectual progress—and the collaborative nature of innovation, production, and consumption—have opened for us a whole new can of worms. Today, the international systems and institutions relating to global economics, trade, and finance still use the outdated method referred to as ‘national-income accounting’, which quantifies overall investment including firms’ spending on fixed capital (such as factories or computers), additions to inventories, and expenditure on residential and commercial property. Spending on what is referred to as the ‘intangibles’ of the knowledge economy—technological research or organizational improvements, building brands, or training staff—in contrast, is not counted as *investment* but as *spending on current inputs*.<sup>16</sup> Because national accounts are calculated on a value-added basis (meaning, value defined within the present, rather than future potential value), these intangibles are not considered in overall GDP calculations. In short, what we produce and for whom we produce have radically evolved over the past two decades. But our ‘systems’ of governance have not evolved.

Neither has the math.

### *What Purpose Taxation?*

Consequently, if taxation is essentially no longer funding job creation, what does taxation fund? In short, taxation within the 21st century primarily funds the social welfare of a peoples. Several grand questions, then, arise: What precisely defines social welfare? As societies search to define the answers, deep divisions begin to open and fester. One set of values are pitted against another. The interests of the young (education) are at odds with the interests of the old (pension payments). What are the costs to social welfare? Even before the essence of social welfare can be fully defined, society becomes painfully aware of the rising costs for specific components of the social welfare system. An example of this is the forecasted cost of health care in the U.S.:

- Growth in national health spending will average 7.2 percent over the next 10 years, or 2.1 percentage points faster than

---

<sup>16</sup> This ‘spending versus investment’ is a vital revolutionary change in economic thought. Instead of a corporate activity or department ‘spending’ being considered as a ‘cost center’ to the company, an ‘investment’, in contrast, is considered as a ‘potential profit center’—the investment possessing the capacity to actually generate its own unique revenue stream. This will be detailed later in the text.

GDP growth but slower than in the recent past.

- Hospital spending growth is projected to be 7.9 percent in 2005, and by 2015 is expected to reach US\$ 1.2 trillion, or double what it is today.
- Similarly, spending on prescription drugs is expected to reach US\$ 446 billion in 2015, up from US\$ 188 billion in 2004.
- Medicare spending will reach US\$ 792 billion in 2015, up from US\$ 309 billion in 2004.
- Medicaid spending will reach US\$ 320 billion in 2006, up from US\$ 293 billion in 2004. Growth is expected to rise to 8.5 percent in 2007, and average 8.6 percent a year until 2015, at which point spending is anticipated to be US\$ 670 billion.
- Growth in state, local and federal government spending on public health is estimated at 10.5 percent in 2005, more than double the rate of the year before, largely due to devastation wrought by hurricanes Katrina and Rita. Federal public health spending is forecast to increase 24.3% in 2005, more than four times the rate of 2004, for a total of US\$ 11.3 billion.
- Out-of-pocket spending growth will likely remain stable at 5.6% in 2005 while out-of-pocket payments are expected to decline 1% in 2006. All in all, consumers will spend US\$ 421 billion of their own money on health care by 2015, up from US\$ 248.8 billion in 2005.
- Due to an aging population, nursing home spending is expected to grow by 5.6% in 2005.
- Home health spending is projected to grow 13.2% in 2005, to reach nearly US\$ 49 billion. It represents the fastest-growing health-care sector.

Relative to U.S. (and other OECD states) pension programs, dangerous problems lie in generations-old 'defined-benefit' plans, under which the employer promises to pay a pre-agreed pension (usually a proportion of each employee's final salary). Over the past 20 years, firms have been closing such funds, particularly to new workers. They now favor 'defined-contribution' schemes, whereby the firm promises to make regular payments into a pot that will pay a pension that reflects the market performance of the money invested. This gives the employer certainty about its costs, whereas the employee—unlike in a funded defined-benefit scheme—faces

uncertainty about what pension he/she will have. Some 75% of the companies in America's S&P 500 index presently manage a defined-benefit pension fund. The total liabilities of these funds were estimated to be about US\$ 1.4 trillion at the end of 2004 and, according to Credit Suisse First Boston (CSFB), these were underfunded by 13%, or some US\$ 165 billion. Other more pessimistic analysts have projected the total obligations of the defined-benefit plans were underfunded by over US\$ 450 billion at the end of 2004. Recently, the Pension Benefit Guaranty Corporation (PBGC), the U.S. federal-government-backed insurer of company pension plans, has agreed to assume an unprecedented US\$ 6.6 billion in unfunded pension liabilities from bankrupted United Airlines, prompting allegations in Congress that airlines are trying to 'dump' their pension obligations onto taxpayers. The PBGC's liabilities now far exceed its assets, making it technically insolvent.

Dealing with pension and health-care problems is not only worrying individuals within a society, it is also weighing down the fiscal and financial mobility of the corporate sector itself. As corporations become more weighted by social welfare responsibilities, their capacity to fund such activities as new product research and development or foreign market expansion may be jeopardized. At some point, the financial burdens upon both the individual and the corporation may force the entire economic system to collapse.

And what of education? From where will the funds come to finance the rising costs of education? Particularly with respect to 21st century markets being increasingly dependent upon highly educated and highly skilled contributors to the development of intellectual property and new product innovation, how will the OECD states balance the social needs of the old, the young, the infirm, the homeless, the promiscuous, those that failed in a business venture, and those that have immigrated to their adoptive communities?

Is there a relationship between largely uneducated immigrants, and foreign economies being unstable? And even this despicable question: knowing just how difficult it is to finance education even in the OECD states, how will the public constituencies feel about appropriating their own tax funds to finance education development in foreign states, where roughly 800 million are considered illiterate—particularly if a higher standard of education will help these foreign states compete against us? Is the social mantra to be:

“Take care of our own before we try to solve the rest of the world’s problems”?

Taxation, as an indicator of a society’s commitment to implement some international grand strategy, and impose its character upon foreign peoples, is a timeless endeavor of almost all civilizations. However, when used as an indicator of a society’s internal standards of living, taxation places a stark mirror in front of the essential nature of society, and this is often disturbing to a civilization. Financing international grand strategies are often motivated by tempting ideals of ‘nationalism’ and the imposition of specific ideologies upon subjugated peoples, whereas defining and financing internal standards of living often polarizes a society’s peoples and their diverse ideals. Certainly, if a seemingly simple matter of taxation possesses the capacity for both ideological and practical differences, even violence, then how might the imposition by the power states of certain taxation policies within the nation-building process affect the societies and livelihoods of peoples residing in the developing states? How, if at all, are these two local-to-global appliances of taxation being debated within democratic societies prior to their applications in the nation-building process?

Accordingly, if taxation no longer possesses the capacity to fully finance a society’s standards of living (much less finance the occasional grand strategy), then how is social welfare to be financed? In a similar fashion, if standards of living for OECD states are often found to be polarizing, then is it not equally possible for non-OECD states also to be polarized by these same issues? What does it say of a society when one group seeks to consistently increase its own standards of living, often at the expense of another group?

Is humanity, as Darwin observed of Nature, merely fixed in a struggle for the survival of the fittest? Or, is humanity capable both of competition and solidarity—in balanced proportions? In a substantially different dimension from geopolitical world order is the geoeconomic and ever-evolving fabric of transformation of livelihood and even taxation. The ether surrounding this fabric of taxation and livelihood is the sustenance that will either polarize or unite global civilizations.

### *Choosing Segregated Spheres or Global Interdependence of Livelihood*

If ‘we’ are evolving our livelihoods into arenas more stateless in nature, synthesizing knowledge with innovation and value, transforming our appliance of taxation—then what about ‘them’? Are the 107 states which are presently economically, socially, and politically unsustainable and failing merely existing for the exploitation of their natural resources and cheap labor? If the gap between prosperity and poverty is widening every single day, is it necessary for the prosperous states to work together to close the gap? Indeed, if it is deemed necessary to close the gap, then how to achieve this? Are we to throw money at the problem and hope for the best (as we now do)? Continue to invade and occupy states until they somehow become ready to self-govern responsibly? Are we to depend on ‘the march of freedom’ as the cure-all for global market development? What happens if we simply close our eyes and avoid the problems all together? What we produce, and for whom we produce, is what now separates the world and our diverse civilizations. There was once a time when war was indeed good for the economy, when war was the economy. Either we continue to find or even invent new excuses to polarize diverse civilizations, and thus, sustain our military economies and our personal livelihoods—or we find some ‘economic bridge’ which allows for all civilizations to participate and compete in global markets focused not on militaristic economies, but on mass consumer market economies. Either our diverse civilizations dedicate their human, natural, and capital resources to the perpetual creation of polarization and conflict—or we dedicate our precious resources to the perpetual creation of value. Indeed, it may now be an imperative that some alternative be found to our present geopolitical form of world order.

Since the end of the Cold War, the private sector has yet to devise any type of geoeconomic ‘grand strategy’ capable of securing and sustaining world order. Geopolitical world order institutions and leaders persist in clinging onto dated and often counterproductive grand strategies like those of the Washington Consensus, global projects of democratization, and even waging asymmetrical wars on terror. Can human society live without some type of grand strategy, either geopolitical or geoeconomic? If a grand strategy is not necessarily needed, then how will markets and societies manage the great

shifts in market imbalances, the boom and bust swings? What is to be the glue that prevents peoples from viewing their world as some Darwinian struggle between ‘us’ and ‘them’? If some form of grand strategy, however, is needed, what should that grand strategy hope to achieve, and who should design it?

### *History's Foreshadowing & Clues for the Future*

Many of the observations made throughout the preceding pages are certainly not new to our knowledge. Indeed, in the 14th century, another economist of the time arrived at many of the same conclusions relating to the interdependency of livelihood and world order—and even proffered the clues to resolving the challenges now facing the 21st century. In Ibn Khaldun’s<sup>17</sup> great work, *The Muqaddimah* (Prolegomena, or Prologue), 1377, he established a vital understanding of socioeconomic relationships that define *conflict*, and its opposite, *union*:

Know, then that the difference between people arises principally from the difference in their occupations; for their very union springs out of the need for cooperation in the securing of a livelihood.

These relationships between livelihood and conflict or union, as well as the failures in world order mechanics, are vibrant indicators that 21st century civilization may now be teetering on the verge of what Ibn Khaldun referred to as the fourth stage in his *First Law of Historical Cycles*: civilizational decline leading to ultimate collapse:

Civilizations must go through four stages: the first stage is the emergence of a new civilization and society. The second stage

<sup>17</sup> Ibn Khaldūn (full name Abū Zayd Abdu l-Rahman ibn Muhammad ibn Khaldūn al-Hadramī), (b. 1332/732AH d. 1406/808AH), Arab historiographer and socio-economist born in present-day Tunisia. His central work was his *Kitab al-Ibar* (Universal History) intimately detailing the history of Muslim North Africa and the Berbers. Its six volumes, however, have been overshadowed by the immense significance of the *Muqaddamah* (which he meant merely as a prologue to the Universal History). In this prologue, Ibn Khaldun outlined a philosophy of history and theory of society that are unprecedented in ancient and medieval writing and that are even now relevant in understanding modern sociology. The rise and fall of societies, he believed, follow laws that can be empirically discovered and that reflect economic causes and effects.

covers a period of growth and prosperity. Stagnation and decadence characterize the third stage where wealth can no longer increase. This brings us to a fourth stage of decline leading to the ultimate collapse. Finally, a new civilization emerges from the ashes of the previous one and another cycle is born. The conditions of the world and of the nations do not persist in one unchanging state, but are transformed with the passage of time and move from one condition to another.

Thus far, this thesis has endeavored to deconstruct various symptoms and underlying causes of a decaying world order—tensions affecting weak states, power states, and crisis zones: from the balance of power mechanics of geopolitics, to our long heritage with militaristic and politicized economies; from the ending of the Cold War and its impact upon global markets and the interstate system, to the emergence of 21st century econometric dynamics and its impact on a new paradigm of livelihood based on innovation and collaboration, and the resulting transformations of capital to support the new paradigm of livelihood. Yet, these tensions and symptoms outlined above do not necessarily reveal the precise ‘living being essence’ of world order; they are merely brief sketches, interspersed moments, which do not yet make for us a complete map of the problems, nor the specific direction to take if we are explore possible solutions to the problems.

Going forward, this thesis shall endeavor to utilize the multiple tools of deconstruction and synthesis to more fully define a usable map of the biology of world order—and thus, reveal possible directions for our journey into the future. This scalpel and suture approach shall demonstrate it doesn’t really matter what political and geopolitical solutions are concocted to resolve the wide variety of challenges to present-day world order; they are all doomed to fail. Even if today all governments in the world were suddenly inspired to declare their allegiance to democracy and capitalistic free markets, even if all governments enthusiastically implemented all the reforms outlined in the Washington Consensus—world order still would not be restored. Furthermore, our history and conventional thinking has always assumed that differing religions and cultures are the deepest roots to conflict. But this conventional view may indeed be misleading; there may exist an even deeper cause to inter-ethnic and

interstate conflict. The deepest core of conflict/union may in fact be, as Ibn Khaldun first observed, the global imbalance/balance of economics, the imbalance/balance of *livelihood*.

To this end, and in its conclusion, *Hands & Brains Unbound* proffers an alternative form and function of world order; a successor to the decaying dynasty. However, before any alternative to the present geopolitical world order process can be proffered, it is necessary to initiate the autopsy of the national corpse of Bosnia-Herzegovina now hidden behind a façade and on life support by the international community and its disease-ridden nation-building process.

To understand the failure of Bosnia-Herzegovina is to understand the failure of geopolitical world order.

### III. CASE STUDY: ECONOMIC & STATE FAILURE

#### 1. Empirical Evidence of Failure

After more than 15 years since the breakup of Yugoslavia, the market economic results from over US\$ 40 billion in Official Development Assistance (ODA) to the Southeast Europe region (SEE; generally, Albania, Bosnia-Herzegovina, Bulgaria, Croatia, FYR Macedonia, Romania, and Serbia-Montenegro) are failing and reveal that a dangerous nexus between governments, gray markets, and organized corruption networks has taken root and is growing increasingly potent throughout the region. For the over 51 million citizens of the region, the average per capita gross national income (GNI) is a mere US\$ 3,136—almost 40% lower than the US\$ 5,000 minimum needed for sustainability. The region's averaged unemployment rate of 22.8% and annual trade deficit over US\$ 24 billion exacerbate the poverty. And yet, the gray markets are thriving—generating an estimated US\$ 65 billion per year in lost production output throughout the region. These losses represent nearly 37% of the region's present gross domestic product (GDP). Conventional international community methods of providing ODA are clearly failing to establish sustainable market economies throughout the SEE region.

##### *Filling the Vacuum of a Failing Economy*

The lack of new wealth generation in SEE has promoted a power vacuum that has increased in size and potency over the past 15 years. National, SEE area, and international organized crime and corruption networks have coordinated to invade the region and fill this vacuum on a grand scale. According to the FBI's Criminal Investigation Division, European nations recognized Balkan organized crime as one of their greatest criminal threats as early as 2000. European law enforcement now estimates that Balkan organized crime controls more than 70% of some heroin markets and has increasing influence in human smuggling, prostitution, and car theft across Europe.

The growth of organized crime has given birth to burgeoning gray-market activity throughout Southeastern Europe. Assessed by the Chr. Michelsen Institute (*Corruption in Bosnia and Herzegovina*, 2005):

A range of other commodities, like cigarettes, alcohol, arms, pornography, forged goods, drugs, works of art, hi-tech items, stolen cars and much more pass through Bosnia-Herzegovina each year. In effect, all these activities create an enormous demand for corrupt transactions, which becomes manifest when the informal economy meets formal political and administrative structures.

### *The Rise of Gray Markets*

Gray markets are those in which a firm's products are sold or resold through unauthorized dealers. Gray markets exist for tangible products (lumber and electronic components) and intangibles (broadcast signals, IPOs); for massive goods (automobiles and heavy construction equipment) and for light, easily shipped products (watches and cosmetics); for general consumables (health and beauty aids) and the life-saving goods (prescription drugs). Friedrich Schneider estimated that US\$ 65.9 billion was lost in the prior year to the gray markets within the SEE region. This number is so large that it is nearly equal to the total exports generated in 2003 by the SEE region (US\$ 69.2 billion). Since Schneider's estimate, the gray markets are projected to increase for the foreseeable future.

**Table 2 - Losses to the Gray Markets (Percentage of GDP)**

	1999—2000	2001—2002	2002—2003
Albania	33.4	34.6	35.3
Bosnia and Herzegovina	34.1	35.4	36.7
Bulgaria	36.9	37.1	38.3
Croatia	33.4	34.2	35.4
Macedonia, FYR	34.1	35.1	36.3
Romania	34.4	36.1	37.4
Serbia and Montenegro	36.4	37.3	39.1
<b>Region Average %</b>	<b>34.7</b>	<b>35.7</b>	<b>36.9</b>

Source: Schneider, F., *The Size of the Shadow Economies of 145 Countries*, 2004.

### *The Gray Markets-Organized Crime-Government Nexus*

In the Balkans, the nexus between governments, gray markets, and organized crime is particularly severe. In Bosnia-Herzegovina alone, the corruption-engineered public sector (government and bureaucratic institutions) accounts for 54% of the annual GDP—more than in any other European country. More than 50% of corporations registered in Bosnia-Herzegovina are import companies. On multiple occasions, the international community has attempted to apply pressure upon government officials throughout the SEE region to stem the rise in corruption. Even though a multitude of agreements are signed and public speeches given, government officials continue to protect—and be protected by—organized corruption networks operating on a global scale.

### *Geopolitical Options in Combating Corruption*

Help from the international community has not deterred the growing tide of corruption throughout the SEE region. Beyond, however, placing blame through critique of the policies and politics of the international community, this article addresses market-economic-specific policy errors that have contributed to the overall economic failures of the region. Evidence has emerged that is relevant to explaining both paradigm and operational failure in the international aid efforts in the SEE region—and that suggests the necessity for the global corporate community to exercise greater leadership in international development issues.

International political and diplomatic agendas to substantiate mission existence and provide evidence of political improvement during time in office can have an unfortunate impact on definition and interpretation of strict economic data and policy—particularly such politically sensitive figures as unemployment, trade deficits, and per capita income. On July 13, 2003, as an example, Joseph Ingram, then U.S. Ambassador to Bosnia-Herzegovina, wrote an editorial opinion in a local Sarajevo-based newspaper, *Oslobodjenje*, criticizing local government officials and their assessments of state unemployment figures at 42%:

While BiH faces a significant unemployment problem, the recently completed Living Standards Measurement Survey shows that it is not as bad as some politicians would have us believe. While official statistics put the unemployment figure around 40%, the survey suggests that the real rate is about 16%. This discrepancy in figures is mainly a result of the thriving informal sector in BiH which employs many workers who in official statistics are registered as unemployed.

So long as politicians and managers of government employment bureaus continue to propagate the fiction of 42% unemployment, and deal with this fiction through institutions which provide jobs to their own managers and employers but to few others, BiH will not be in a position to create a growing, dynamic, economy with a private sector offering thousands of new jobs to the young and to the real unemployed.

The central point of Mr. Ingram's specious argument is that a "thriving" informal economy (gray market) is the difference between the 16% unemployment rate as defined within the *Living Standards Measurement Survey* (funded by the international community) and the 42% unemployment rate officially defined by the government of Bosnia-Herzegovina. In Mr. Ingram's view, developing States such as Bosnia-Herzegovina should officially recognize the lower and gray-market-balanced unemployment rate (and by doing so, officially endorse employment within the gray markets). As of 2005, unemployment has risen to 45%. The gray-market economy is a central reason for the larger market failures of the entire SEE region. It becomes increasingly difficult to limit the influence and growth of the gray markets and create more formal investment and wealth-generation vehicles when the international community actually applauds the influences of the gray markets upon rates of unemployment. By attempting to impose upon Bosnia-Herzegovina and other SEE governments an official endorsement of employment within gray markets (and thus allow diplomats to report their mission 'improvements'), the international community has actually empowered and emboldened the organized corruption networks which establish and sustain these gray markets. Corruption networks, according to multiple Western governments, now threaten fundamental global markets and the security of the world order.

There can be no clearer example of the international community, consciously or unconsciously, providing the actual life-force to the army of Frankensteins—the corruption networks—which now haunt the very security of global markets. To add insult to injury, as Table 3 illustrates, the international community, even after more than 15 years, has yet to uniformly define the most basic of economic statistics within Bosnia-Herzegovina. Each of the institutions listed utilize completely different definitions of GDP and per capita GDP for Bosnia-Herzegovina.

**Table 3 - Bosnia's GDP: Differing Definitions, Differing Implications**

	GDP (US\$ Billion)	GDP per capita (US\$)
Central Bank of Bosnia-Herzegovina	4.6	1,043
European Commission	6.6	2,204
World Bank	4.5	1,154
Office of the High Representative	5.7	1,393
Bretton Woods Project Poverty Reduction Strategy Paper	6.1	1,561

Source: Compiled by the author from data of the respective organizations.

Unless a clear, standardized, and markets-based definition of the true status of SEE markets can be established, it is unreasonable to expect the market economies of the region to substantially improve at any time in the foreseeable future. Furthermore, when the international community provides development assistance to states, it asserts as its goal only a very vague agenda of helping states reach ‘sustainability’—but never really defines beyond the point of political vagueness what sustainability actually means. Sometimes the goal of state sustainability is ‘political speak’ for joining NATO, the European Union, etc. For example, presented as its “Vision Statement” on the website of the U.S. Agency for International Development (USAID) ([www.usaid.ba](http://www.usaid.ba); as of June 17, 2006) is the following:

USAID assists Bosnia-Herzegovina in achieving its potential to become a peaceful, democratic, forward-looking prosperous country. Our programs help develop the rule of law and a market-

oriented economy serving the interests of BiH citizens. USAID strives to help BiH become a welcomed member of the European Union.

Over the course of the nine-year case study (1997–2006), 32 interviews were conducted with international diplomats and non-governmental organization program managers. One of the questions in the interviews was: “*When will you know your mission is complete and Bosnia-Herzegovina is a healthy and sustainable state?*” The answers were all distinct, politically focused, and patently vague, such as: “*When the ethnic cleansing cannot happen again*”, or “*When Bosnia-Herzegovina is ready to join the European Union*”, or “*When there is one state government rather than multiple ethnic-based governments*”. None of the answers identified the establishment of global market interdependence as a requisite for state sustainability.

State sustainability is something that can be to a substantial degree defined economically, even *computationally*. There are many parts to a sustainability equation but, within the context of 21st century market economics, the essential four parts are:

- per capita GDP;
- employment rates;
- intellectual property stocks/values; and
- value-chain interdependency/effectiveness.

The Organisation for Economic Cooperation and Development (OECD), and others, have generally determined that a state’s economic health can be sustained when per capita GDP reaches a minimum of US\$ 5,000 and unemployment rates decline to about 5% of the working age population. Yet institutions such as USAID, the World Bank, and the like make little or no mention of these explicit GDP and unemployment goals and objectives in their country strategies. Neither the international community nor the SEE governments give focus to intellectual property stocks/values or value-chain interdependency/effectiveness in their development programs throughout the region. On the other hand, the United Nations Conference on Trade and Development identified research and development (R&D) and international production systems as important components of foreign direct investment (FDI) as early as 2002:

One of the eight variables comprising the Inward FDI Potential Index is R&D expenditures as a percentage of gross national income. This indicates the technological capabilities of a host economy, including innovative capacity—an important factor attracting created-asset-seeking FDI. In products and processes that are knowledge-based, competition tends to be severe and, as R&D activities in these areas are costly and risky, the quest for such assets is a driving force for international production.

Transnational Corporation (TNC) activities affect the export performance of host countries through a range of equity and non-equity relationships. What is common to all of them is that production—and, more broadly, the operations of a firm—is organized under the common governance of TNCs. During the past 15 years, falling barriers to international transactions have not only invigorated global markets through arm’s-length transactions but given rise to elaborate corporate systems of organizing the production process. As a result, international production systems have emerged within which TNCs locate different parts of the production processes, including various services functions, across the globe, to take advantage of fine differences in costs, resources, logistics and markets.

What is distinct about the rise of international production systems as compared to earlier organizational structures and strategies characterizing TNC operations is, first, the intensity of integration on regional or global scales and, second, the emphasis on the efficiency of the system as a whole. In other words, global markets increasingly involve competition between entire production systems, orchestrated by TNCs, rather than between individual factories or firms. (notes omitted).

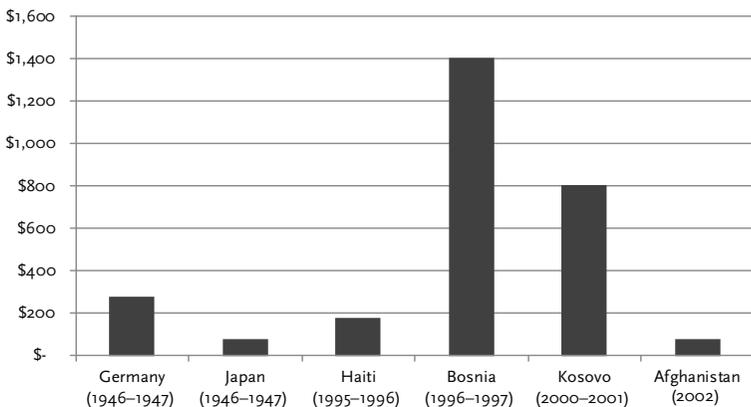
### *High Levels of Funding Have Negligible Results*

The Open Society Fund recently concluded that international assistance in terms of money invested in Bosnia-Herzegovina since 1995 “has little chance of producing a country that will be based upon the rule of law, a free-market economy and a democratic political system”. In its unsuccessful efforts to combat the rising levels of region-wide corruption, the international community creates an

endless multitude of anti-corruption initiatives such as the European Union's Stabilisation and Association Agreements and the Community Assistance for Reconstruction, Development and Stabilisation Programme. The Council of Europe's Group of States against Corruption, or GRECO, has also sent teams to the region to make national recommendations based on the evaluations of corruption in Macedonia and Romania carried out in March 2002. The OECD, USAID, and the EU Stability Pact for South Eastern Europe have funded additional anti-corruption programs through the Southeast Europe Partnership on Accountancy program.

The RAND Corporation, in 2003, completed a study of major soft-power nation-building exercises undertaken since 1898. A particularly revealing aspect of the RAND nation-building study relates to its analysis of external financial assistance for six specific instances of nation-building. The RAND study assessed the societal impact of foreign assistance upon *individuals* in post-conflict situations—calculated on a *per capita* basis. Table 4 illustrates the amount of nation-building assistance per person during the first two years in the various exercises. Germany, which received the most assistance in aggregate terms (US\$ 12 billion) after the first two years of conflict, does not rank very high in per capita assistance (US\$ 275). Bosnia-Herzegovina, however, which ranked highest in terms of per capita assistance, received about US\$ 1,400 per resident.

**Table 4 - Per Capita External Assistance (in US\$)**



Source: J. Dobbins, et al., *America's Role in Nation-Building*, RAND Corporation, 2003.

As a result, it can be readily observed that the international community's previous options in attempting to impact overall economic development and thus limit the rise of corruption throughout the SEE region have been:

- Ineffectually focused on political and bureaucratic initiatives rather than tangible and measurable economic market development;
- Appropriating quite substantial amounts of funding for these ineffective political initiatives; and
- When the international community has focused more specifically on economic market development, its efforts have been largely symbolic and outright inept.

### *Capitalism as a Mere Symbol of Democracy*

Firstly, it is important to recognize that the SEE region cannot be defined only in the classic view of nation-states but must also include the inter-operating compositions of clientelism and its nexus to organized corruption networks and governments. Clientelism refers to a form of social organization common in many developing regions and characterized by “patron-client” relationships. In such places, relatively powerful and rich “patrons” promise to provide relatively powerless and poor “clients” with jobs, protection, infrastructure, and other benefits in exchange for votes and other forms of loyalty, including labor. While this definition suggests a kind of “socioeconomic mutualism”, these relationships are typically exploitative, often resulting in the perpetual indebtedness of the clients in what is described as a “debt-peonage” relationship. In some instances, patrons employ coercion, intimidation, sabotage, and even violence to maintain control, and some fail to deliver on their promises. Moreover, patrons are oftentimes unaccountable for their actions. Thus, clientelistic relationships are often corrupt and unfair, thereby obstructing the processes of implementing true sustainability.

The reasons for this clientelistic calcification of the SEE economic foundations are many but principally are based on the recognition that the entire SEE region essentially is nothing more than a gray market trading bloc. Clientelistic relationships determine which stakeholders import and market which products. The

necessity to protect the gray market trading cycle is the sole basis for the nexus between these clientelistic relationships, corruption networks, and governments. The evolutions of 21st century market economies, however, have begun to erode the overall wealth-generation capacity emanating from these over-simplified and archaic trading schemes. This erosion is occurring due to:

- Governments can no longer create military-industrial or natural-resources-based jobs which would have produced enough disposable income to sustain the gray market trading schemes.
- Since virtually no product or service innovation is being conducted within the see market, foreign exchange earnings are not being generated in sufficient volumes so as to provide new sources of disposable income to the general public. In short, the entire see region is simply bleeding to death.

What makes this economic hemorrhaging so dangerous for the SEE region are two entwining factors:

- As the gray markets become less capable of generating revenue and salaries for the general public, these states will simply become pariah states—discouraging FDI of any kind and creating an ever-growing vacuum; and
- The SEE states are already burdened with massive sovereign debt representing over 20% of the region's GDP.

This FDI vacuum and burgeoning sovereign debt—if left unabated—can only lead to civil unrest, even violent conflict between peoples, and could lead to SEE region-wide destabilization. To make matters worse, the international community involves itself in either “old economy” priorities or mere symbolic economic projects. Table 5 highlights the funding priorities of the *EU Stability Pact Quick Start Packages*. As can be seen, the vast majority of the EU funds have been directed toward infrastructure and bureaucratic policies of “economic reforms”. Almost nothing has been appropriated to jump-start vocational education programs or innovative R&D programs.

Table 5 - EU Stability Pact Quick Start Packages Funding Priorities

	Percentage of Total
Infrastructure	65.3
Return of Refugees	13.9
Economic Reforms and Business Development (policy)	10.5
Local Government and Public Administration	1.7
Media	1.7
Defense Reform and Economics (policy)	1.6
Education and Youth	1.3
Humanitarian De-Mining	1.3
Environment	1.1
Human Rights and National Minorities	0.4
Social Development	0.2
Vocational Training and Education	0.1
Anti Corruption and Organised Crime	0.1
Trade	0.0

Source: EU Stability Pact

### *Capital Markets as Mere Symbols of Democracy*

The U.S., in particular, has been prematurely dedicated to the SEE states establishing public stock exchanges, largely because capital markets are visible symbols of “democratization” (a conclusion of the Washington Consensus agenda). Today, these exchanges primarily trade nothing more than privatization vouchers, and even this is subject to substantial influence from clientelistic relationships and organized corruption networks. An example of how these clientelistic relationships operate within public stock markets: a coalition of larger voucher holders carefully increases trading of its stock holdings amongst its members, thus artificially raising the trading price of the stocks. This entices a large bloc of small traders to buy the rising shares with new capital. But just as this new capital is invested, the coalition sells its holdings en masse, taking with it the new capital, and the value of the company originally being traded on the market essentially collapses.

Since Bosnia-Herzegovina operates not as a unified nation-state but, rather, within a *de facto* status of three separate ethno-nation-

alist-based partitions (Muslim, Croat, and Serb), and subsequently, does not possess any type of nation-wide economic development strategy, it is then reasonable to expect that designing and implementing any type of unified monetary and fiscal policy is highly unlikely. So, in this vacuum of nation-state disorder is where the international community staggers along its historical practice of geopolitical gaming. The U.S., with its influence upon the ensuing monetary and fiscal policies sustaining their geopolitical objectives, expectably, grasps onto the neoliberal edicts established by the Washington Consensus. The EU Member States (at times multilaterally, at times bilaterally) often follow an opposing (but still neoliberal) track to that of the U.S. One such clashing track involved the establishment of a “currency board” rather than a conventional independent Central Bank system. The International Monetary Fund (IMF), strictly abiding by the Washington Consensus, adamantly opposed the appliance of currency boards. According to Steve H. Hanke, Professor of Applied Economics at Johns Hopkins University (*On Dollarization and Currency Boards: Error and Deception, 2002–2003*):

In Estonia, Lithuania, Bulgaria and Bosnia and Herzegovina, the final design of the new [monetary policy] laws was determined, in large part, by representatives of the International Monetary Fund. Based on my first-hand observations, the responsible IMF representatives had, at best, a superficial understanding of currency boards. They displayed no knowledge of currency board history or laws, and, in some cases, were openly hostile to the currency board idea. In the end, the IMF representatives could not conceive of a monetary authority without discretionary powers. Unable, or unwilling, to think outside the central banking box, they drafted laws based on those that govern central banks. Only two modifications were made to standard central bank laws: the specification of a fixed exchange rate and a floor under the foreign reserve cover for monetary liabilities.

Article VII of the Dayton Peace Agreement addresses the specific issue of a Central Bank for Bosnia-Herzegovina:

There shall be a Central Bank of Bosnia and Herzegovina, which shall be the sole authority for issuing currency and for

monetary policy throughout Bosnia and Herzegovina. The Central Bank's responsibilities will be determined by the Parliamentary Assembly. For the first six years after the entry into force of this Constitution, however, it may not extend credit by creating money, operating in this respect as a currency board; thereafter, the Parliamentary Assembly may give it that authority.

The European Union had appointed three specific institutions to “counterbalance” the geopolitical influence of the World Bank/IMF: the European Investment Bank (EIB); the European Bank for Reconstruction and Development (EBRD); and the International Management Group (IMG). It was as a consequence of this geopolitical counterbalance that a currency board was instituted in Bosnia-Herzegovina rather than an orthodox Central Bank (the main difference being that a currency board could not operate as a “lender of last resort” and extend credit to the state or “create” money). Even though the prescribed six years have expired, Bosnia’s “Central Bank” is still not permitted by the international community to operate as a conventional Central Bank.

Because Bosnia-Herzegovina was denied by the international community the responsibility to conduct itself in a self-restraining manner, as demonstrated by operating its own Central Bank as an example, the weak state government has had little infrastructure upon which to construct long-term monetary and fiscal policies. This continues to plague Bosnia-Herzegovina in two specific arenas: currency management and taxation. Specific to currency management, and as a direct intervention by the international community, Bosnia-Herzegovina was purposefully prevented from establishing a currency denomination which could eventually be integrated with European currencies (this was, essentially, another geopolitical conflict between the U.S. and EU powers—the U.S. originally not comfortable with the potential geopolitical power of the EU as a consequence of SEE states being integrated into the EU). Although during and just after the 1992–1995 conflict, 97% of the currency transactions throughout the state were in German Deutschmarks, the international community imposed upon Bosnia-Herzegovina to establish a unique currency (the “*Konvertibilna Marka*”). On January 1, 1999, 12 European States, including Germany, adopted the single currency standard (the Euro €). If Bosnia-Herzegovina would have

initially retained the German Deutschmark as the national currency, today it would be operating with the Euro as the currency basis of its economy—and this would have been a major foundation to eventual integration with EU markets. The issue of taxation is particularly troubling. To date, after more than 10 years since the Dayton Peace Agreement, Bosnia-Herzegovina has yet to engage in a nation-wide public debate on the issue of taxation. Certainly, this is significant for two reasons:

- Historically, taxation has been a tangible instrument of the relationship between peoples and a government, but in Bosnia-Herzegovina this relationship does not exist.
- Capital formation in the 21st century economies vis-à-vis taxation essentially defines how a society defines for itself the standards of living it desires. But, as a consequence of the detachment of the peoples of Bosnia-Herzegovina from its state government (vis-à-vis taxation or other means), these definitions of standards of living go undefined. Again filling the vacuum, the international community imposed upon Bosnia-Herzegovina on January 1, 2006 a flat-rate value-added tax of 17% on all items consumed and imported. The Office of the High Representative, which supported the program, even went so far as to describe the VAT's introduction as *“an essential prerequisite for the further integration of Bosnia and Herzegovina into the European mainstream”*.

Economists (local and international) criticized the introduction of the VAT as a *“rushed job”*, saying no preparations were made to cushion the blow to the poor. The head of a government VAT hotline service, Dragan Tomic, commented publicly: *“Pensioners call us the most often, to report higher prices of food and hygiene products. From what we hear, some retailers have abused VAT and increased prices enormously.”* Experts observed that much of the chaos over price rises could have been avoided if consumers and retailers had been better informed. Professor Dragomir Stojanov, of Sarajevo University's School of Economics, observed that there was insufficient information on many issues and on possible loopholes such as the practice of setting up fictitious companies in other countries, which enables owners to recover VAT. The Bosnia-Herzegovina government and international community diplomats jointly argued that special social

programs would mitigate the impact of VAT on the poor. Radovan Vignjevic, Labour and Social Policy Minister in the Federation, one of the country's two entities, pronounced that he had earmarked €12 million for such programs. Not surprising, though, the VAT has indeed dramatically increased tax revenues to the government. Equally as expected, the Bosnia-Herzegovina government has yet to agree on just how to spend its new wealth. This impasse prompted the following statement made at a press conference held by the Office of the High Representative on July 5, 2006:

Today, Bosnia and Herzegovina is addressing major issues related to the allocation of indirect tax revenue. The progress that has been made—from conceiving a modern fiscal system to operating one—owes much to the quiet but steady direction exercised by Joly Dixon [a citizen of the UK], who was part of the reform process from the very beginning. I am grateful to him for what he has achieved and the people of this country should be as well. Joly's mandate as ITA Chairman expired at the end of last week. The two of us spoke by telephone about how to proceed in view of the current stalemate over revenue allocation. To overcome the impasse, I believe a new initiative is required.

Two revealing aspects of the above narrative regarding Bosnia-Herzegovina's dysfunctional taxation system:

- It is the international community, not the Bosnia-Herzegovina citizens and their government, which is managing the nation's affairs of taxation and fiscal policies; and
- The international community makes up the rules as it goes along—this is a tangible example of *ad hoc* nation-building.

Throughout the SEE region, various geopolitical influences and conflicts within the international community itself have come to shape, often negatively, the internal and external market dynamics of the region. Thus, it is difficult to envisage sustainable market economies being established within the SEE region as long as the region is subject to *ad hoc*, even contradictory, geopolitical forces rather than global market economic forces.

### *Privatization as an Enabler of Corruption*

Keeping in line with the Washington Consensus agenda, *privatization* of state assets continues to be a core component of U.S. nation-building policy. Yet, after more than 10 years, the internationally imposed privatization process has essentially stalled, almost none of the larger revenue-generating enterprises have yet been privatized, and the privatization of residential property and the smaller enterprises has actually resulted in massive corruption schemes and even economic-based ethnic cleansing.

Specific to the larger revenue-generating enterprises, such as telecommunications and public utilities, now only disfigured offspring of the nexus between clientelistic relationships, corruption networks and governments, the consequences are plainly visible: firstly, all the major utilities and businesses are corporately divided into three ethno-nationalist-based utilities, Muslim, Croat, and Serb—as opposed to single state enterprises (this was actually negotiated and supported by the international community within the mechanics of the Dayton Peace Agreement). Secondly, each ethno-nationalist party (or throughout the SEE region more generally, the various clientelistic relationships) drains what revenue is generated via these enterprises into exclusively clientelistic projects which provide nothing but large profits to the political elites whilst providing negligible benefit to the general public. And finally, the strategy of the ethno-nationalist political parties and the clientelistic relationships is to drain the larger enterprises of any long-term asset value so that once they have amassed enough capital the shadowy individuals influencing these institutions will purchase these assets-drained shells of enterprises so as to eventually resell them at multiple returns to international corporations and investors. However, once the enterprises have been drained of their assets, and to the dismay of the ethno-nationalist political parties, international corporations and investors have no or little interest in the Bosnian assets they labored so hard to acquire. What the ethno-nationalists have consistently failed to grasp:

- 21st century markets are almost exclusively focused on acquiring assets with quantifiable market value—particularly assets possessing product/service innovation capacity;
- Foreign investments in the 21st century are less focused on

investor-to-company relationships but, rather, their focus is on the more market-efficient components of value-chain-to-value-chain relationships (this lack of interdependent value-chain relationships within developing markets is the key challenge for developing states); and

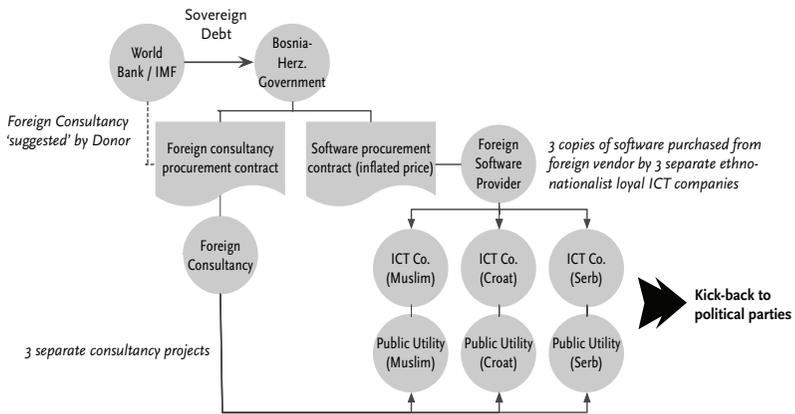
- The ‘old economy’ assets of vacant real estate which have been almost singularly coveted by the clientelistic relationships within the region are essentially, within the context of 21st century value-chain and knowledge-based economies, worthless. Tragically, the SEE region’s clientelistic relationships and organized corruption networks have focused their resources on securing real estate assets which have limited value in the modern knowledge economy. Until developing states can work jointly with international market stakeholders to develop value-chain-based international production system networks throughout the developing markets, the only market players capable of filling these empty assets of real estate are exactly what you find today throughout the SEE region: coffee shops, pizzerias, and petrol stations—businesses with little focus on product/service innovation or new wealth generation but simply focused on short-term cash sales.

### *Counterproductive to Natural Market Interdependencies*

Often, the international community can actually become a counterproductive influence in the development of market economies. What follows is a simple case in point. In 2003–2004, the World Bank/IMF, in partnership with EBRD, provided a substantial sovereign debt package to the government of Bosnia-Herzegovina. One of the primary purposes of the funding was to modernize the nation’s three power utilities (the Dayton Peace Accords allowed, as an example, for the public-enterprise power utility to be divided into three separate operating units—divided by ethno-nationalist entities of Muslim, Croat, and Serb—and this was done in contradiction to the Constitution of Bosnia-Herzegovina). But setting aside, for the moment, the international community’s quiet acquiescence to the unconstitutionality of the ethno-nationalist theft of public assets,

the ‘old economy’ structure and process of the World Bank/IMF funding package merely ossified the economic dysfunctionality that still exists today. Figure 1 illustrates an actual procurement project in Bosnia-Herzegovina relating to Enterprise Resource Planning software (ERP)—which integrates multiple departments and functions across a company onto a single computer system that can serve all those departments’ particular needs in a more coordinated and productive manner.

Figure 1 - “Old Economy”/Debt-based Technology Transfer



*Step 1:* The World Bank/IMF provides sovereign debt to Bosnia-Herzegovina.

*Step 2:* The Bosnia-Herzegovina government contracts a foreign consultancy to assist each of the three power utilities to develop the “terms of reference” for a “tender” (the foreign consultancy is normally “suggested” by the World Bank officials on the ground, generally chosen from the donor state). Three local ethno-nationalist-loyal (or, more generally throughout the SEE region, clientelistic relationship-loyal) hardware/software resellers (who have distribution agreements with international hardware/software providers) are awarded the three tenders to sell three separate installations of the ERP-related hardware/software (at inflated prices) to each of the three power utilities. The three power utilities then “kick back” a percentage of the inflated price to their respective ethno-nationalist political party officials.

*Step 3:* A separate foreign consultancy (from the donor's state) is then awarded a contract to instruct each of the three power utilities how to implement and manage the ERP system. If the average total cost of ownership (TCO) of about US\$ 15 million is used (based on a 2002 Meta Group (now, Gartner, Inc.) study assessing the TCO of ERP, including hardware, software, professional services and internal staff costs), then the World Bank/IMF essentially provided about US\$ 45 million in funds to a system that should have cost no more than US\$ 15 million.

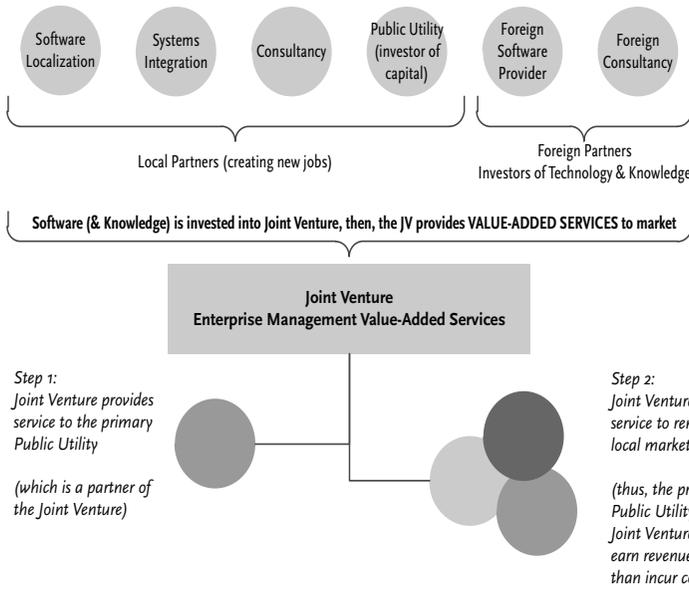
*Step 4:* Disturbingly, this entire process is repeated for each of the three ethno-nationalist-controlled utility incumbents—from telecommunications and transportation to water and heating. As a result, these additional ERP installations (3 ethno-nationalist companies per utility, 4 additional utilities, equals 12 additional ERP installations), at an average TCO of about US\$ 15 million, equals an additional US\$ 180 million. Grand total for ERP systems for 5 (x3) public utilities equals US\$ 225 million.

Nowhere along this sovereign-debt based procurement chain of events has the market economy been allowed to interact with the various stakeholders demanding ERP (or other) technologies/knowledge. Indeed, since the consultancies which provided the ERP project originated from foreign states, consultancies internal to developing states such as Bosnia-Herzegovina are totally neglected. This makes the developing state consistently dependent upon technology, knowledge, and funding being provided by the international community (government donors acting in a non-market manner). Furthermore, since a vast majority of the developing state's medium-sized manufacturers do not have internal access to developers of ERP systems which tailor the application for small and medium-sized enterprises (SMEs), this lack of internal market access consistently hinders the manufacturers in their capacity to increase corporate productivity and efficiencies—thus hindering their capacity to compete internally with cheap imports or even externally in regional and global markets.

There exist, however, market-based alternatives which more effectively transfer technology, knowledge, and investment capital into developing states. Figure 2, utilizing 'new economy' decentralization, demonstrates how virtually all of the public utilities of Bosnia-Herzegovina could have installed a shared ERP system for

a total of no more than US\$ 30 million—and without the need for sovereign debt financing.

Figure 2 - “New Economy”/Investment-based Technology Transfer



*Step 1: Effectively Exploit Under-utilized Assets:* The public utilities throughout the SEE region—particularly power and telecommunications—possess substantial, but under-utilized, assets of capital and infrastructure. Bosnia-Herzegovina’s power utility, as an example, has laid over 4,000 kilometers of fiber optic cable to be used as an independent and secure fixed telephony system—but over 95% of this capacity is totally unused. Simply put, because of a lack of dynamic and interdependent supply chain networks, few corporate or institutional customers have data or knowledge assets that require time-dependent or mission-critical communications with others.

*Step 2: Effectively Exploit Incumbent Status:* These SEE public utilities could quite easily adopt three specific strategies to exploit their formidable but under-utilized assets for the larger purpose of state-wide development of the economy:

- Use their incumbent status to “mentor” local companies to acquire global technology and knowledge. This mentoring is

achieved by establishing joint venture corporations among themselves, local SMES, and global corporations. The power utility, local SMES, and global providers of, say, ERP systems establish a joint venture corporation. The power utility invests primarily capital and infrastructure whilst the global corporations invest primarily technology and knowledge.

- The power utility becomes the first customer of the new joint venture's ERP system and value-added services. Then, the joint venture provides these ERP services to other consumers throughout the state. Instead of global corporations merely "selling" their software to the World Bank/IMF (financed by massively mounting sums of sovereign debt), these corporations invest the technology and knowledge and thus receive equity-based revenues generated by the joint venture. Instead of needlessly burdening developing states with sovereign debt, the states could be implementing strategies to attract FDI. Instead of developing states being dependent upon the international community to fund technology and knowledge transfer on a case-by-case basis, developing states could establish investment vehicles to acquire not only technology and knowledge but wealth-generation capacity as well.
- The next strategy the SEE public utilities could adopt is to unite several of the joint ventures into "business incubators". The purpose of the incubator strategy is to provide the joint ventures with the greatest opportunity for sustainability. The average job creation cost is about US\$ 10,000. Within an incubator setting, however, these costs can be reduced to about US\$ 1,000. Further, an incubator setting is an effective tool to train management and staff to the highest standards of productivity and competitiveness.
- Another example of a strategy the public utilities could implement to build not only corporate value but local and global confidence as well is for the utilities to establish an investment trust fund. A percentage of the utilities' profits, instead of being lost to corruption, could be directed to an investment fund which would target investment projects benefiting the public good.

*Step 3: Effectively Attract New Customers:* By implementing these types of strategies, the SEE utilities could not only be benefiting state sustainability as a whole, they could also be creating their new and expanding customer and revenue base.

*Step 4: Build Value, then Spin-off or Privatize:* Instead of allowing organized corruption networks to control and drain the asset value of the SEE utilities, and instead of the international community imposing premature privatization of these corrupted and value-drained utilities, the “mentoring” and technology transfer strategies highlighted above could provide the public constituencies of the SEE states with greater value. Once the utilities established a critical mass of joint ventures, the utilities would then possess greater options to either spin-off the joint ventures or privatize the more valued utilities.

Supply, distribution, and value-added service chains in 21st century markets are interdependent not only within a specific industry but also among multiple industries. This means that a manufacturer or a retailer no longer operates within a vacuum. Indeed, even a retailer is now dependent upon effective communications among multiple manufacturers, distributors, market and customer care value-added service providers, electronic payment card companies, and electronic funds transfer systems. Modern manufacturers focus on managing more efficiently their supply chain systems as much as they focus on maintaining their manufacturing equipment. This means that if the manufacturer installs sophisticated ICT systems to better communicate with its suppliers, then the suppliers, too, are required to install ICT systems. When one part of the interdependent value-chain modernizes its process of operations, all the other parts of the chain also have to modernize.

Secondly, technology alone cannot provide market stakeholders within developing states a total solution to increase productivity and competitiveness. 21st century knowledge regarding corporate processes and procedures strategically engineered to increase productivity and competitiveness is also vital for developing states to acquire. Forrester Research, in 2002, estimated that nearly 70% of global FDI is specifically related to knowledge transfer between markets. Since this knowledge is generally a component of global corporations’ intellectual property assets, the international community simply cannot be expected to ‘donate’ intellectual property to

developing states. Only corporate-sector investments can transfer 21st century intellectual property into developing states.

FDI (in the form of capital, technology, and knowledge) conventionally occurs within efficient markets already possessing international production systems. But developing states' markets are simply not efficient, nor do they possess the majority components of an international production system. Thus, the only manner in which markets within developing states such as those within the SEE region can reasonably be expected to attract sustainable levels of FDI is to unite, *en bloc*, international and local economic stakeholders into interdependent partnerships committed to grow and sustain the markets within developing states—so that developing states can effectively participate and compete in the global markets.

### *Mounting Debt*

Not surprisingly, then, those developing/transitioning states which make some attempt to modernize their internal market structures and assets ultimately find themselves in a trap. To appear to cooperate with the international community, developing/transitioning states are obliged to laden themselves with vast sums of sovereign debt. But as demonstrated above, this sovereign debt does not provide for actual economic market sustainability.

The SEE states are no exception. Table 6 shows the average external debt-to-GDP ratio in the region for 2005 is 39.1%. What makes these figures even more troubling is that EU Member States are obliged by regulation to keep their external debt below 3% of GDP. The SEE region is presently burdened with external debt nearly 13 times this EU ceiling. The macroeconomic benefits from this massive debt, however, are simply non-existent: the average per capita GNI for the SEE region is a mere US\$ 3,136; the averaged unemployment rate is 22.8%; the region possesses an annual trade deficit of over US\$ 24 billion; and an estimated US\$ 65.9 billion each year is lost to the gray markets.



Table 6 - External Debt Burden of SEE States, 2000-2005

	2000		2005	
	(in \$ Billions)	% GDP	(in \$ Billions)	% GDP
Albania	0.9	25.3	1.5	17.9
Bosnia-Herzegovina	2.6	52.0	4.4	44.4
Bulgaria	8.4	66.7	11.9	43.8
Croatia	11.3	61.4	25.8	66.3
FYR Macedonia	1.3	36.1	2.1	36.2
Romania	10.0	27.0	31.2	31.6
Serbia and Montenegro	1.4	22.0	6.5	27.0
<b>SEE Region Total</b>	<b>35.9</b>	<b>41.4</b>	<b>83.4</b>	<b>39.1</b>

Source: World Bank data

### *Years Pass: No Economic Development Strategy*

Today, Bosnia-Herzegovina is essentially isolated from the global markets; the state imports an estimated 3 times more than it exports. Earlier in this case study, two specific aspects of modern 21st century economic development were introduced. Firstly, the essential four parts to a sustainability equation are: per capita GDP, employment rates, intellectual property stocks/values, and value-chain interdependency/effectiveness. A state's economic health can be sustained when per capita GDP reaches a minimum of US\$ 5,000 and unemployment rates decline to about 5% of the working age population. Secondly, competitive corporations operating within global markets are increasingly investing in what is referred to as the 'intangibles' of the knowledge economy—new product research or organizational improvements; building brands or training staff. Bosnia-Herzegovina has developed neither a strategy to 'engineer' GDP, employment, and export growth, nor a strategy from which the corporate sector can focus its collaborative attention to the investment into 'intangibles' of the knowledge-economy.

Today, business leaders in Bosnia-Herzegovina (and throughout much of the SEE region) still operate their companies based on the 'old economy' model of activity or department 'spending' being considered as a 'cost center' to the company, instead of as an 'invest-

ment' to a potential 'profit center'. Every single day, global markets are undergoing constant revolution, the very nature of business and economy changing in profound and even unimaginable ways. Yet, Bosnia-Herzegovina, a state undergoing an International Community-imposed process of nation building for over 10 years, has yet to even construct a single written document which is capable of guiding the state to become competitive in 21st century knowledge-economy markets—a strategy which would expressly address the engineering of GDP, employment, export, intellectual property stocks/values, and value-chain interdependency/effectiveness inherent to modern economic markets.

In 1996, the UN Department of Development Support and Management Services and the UN Development Programme funded a brief document, *Economic Development Strategy for Bosnia and Herzegovina*. In actuality, the document is not really a strategy; it is a mere listing of various issues which need to be considered when developing an economy. The genuine definition of strategy is to devise a process by which goals and objectives can be specifically engineered into tools, tactics, and resources—which when executed, specifically achieve the original goals and objective. Notwithstanding this sleight of hand, however, the UN document does reveal the core challenge for Bosnia-Herzegovina (and for any state undergoing economic development):

There must be no false hopes about the availability of foreign private direct investment. It is needed, it would be welcome and every effort must be made to attract it, but that is only the demand side. On the supply side, recent experience shows that, even in countries which are considered much less a political risk than Bosnia and Herzegovina, this type of investment is neither quick in coming, nor does it flow in the desired amounts.

Supply and demand. From the Bosnian perspective, they *need* investments, but they possess little or no *supply* which feeds the *demand* of their internal domestic market, much less the global market. 21st century global markets demand 21st century supply. Bosnia-Herzegovina, and failing states like it, tragically, do not possess this 21st century supply. Then, the question becomes a bit more exacting: what in specific are the export products and services

presently in demand by the global market? Table 7, compiled from multiple sources, illustrates the top 20 world export items and how they experienced dynamic growth in demand.

**Table 7 - World Exports (1985-2000), change in market share**

Rank	Product	1985	2000
1	Electronic microcircuits	0.82%	3.38%
2	Parts and accessories for data processing machines	1.02%	2.33%
3	Digital central storage units, separately consigned	0.02%	1.01%
4	Television, radio & related transmitters & receivers	0.11%	0.91%
5	Medicaments	0.53%	1.24%
6	Parts & accessories for telecom & recording	0.67%	1.28%
7	Telephonic and telegraphic apparatus	0.28%	0.83%
8	Complete digital central processing units	0.30%	0.74%
9	Electrical apparatus for electrical circuits	0.64%	1.05%
10	Other electrical machinery and equipment	0.48%	0.86%
11	Children's toys, indoor games	0.40%	0.79%
12	Miscellaneous articles of chemicals	0.40%	0.77%
13	Aircraft, mechanically propelled	0.44%	0.78%
14	Peripheral units for data processing equipment	0.66%	0.98%
15	Other electric power machinery and parts	0.17%	0.49%
16	Insulated electric wire, cable, bars, strip, etc.	0.29%	0.60%
17	Other nitrogen-function compounds	0.15%	0.45%
18	Under garments, knitted or crocheted, of cotton	0.16%	0.44%
19	Piezo-electric crystals, transistor parts, etc.	0.31%	0.58%
20	Complete digital data processing machines	0.20%	0.47%

Without any consideration for the above statistical indicators relating to world exports, the U.S. Agency for International Development (USAID), in their 2004-08 operating plan for Bosnia-Herzegovina, specifically budgeted US\$ 16 million for what USAID refers to as a “Cluster Competitiveness Activity (CCA)” —which targets only wood processing, tourism, and agri-business.

The overall goal of USAID CCA is to advance economic growth and job creation in BiH by supporting the improvement of the competitiveness of wood processing and tourism industries. CCA

provides technical assistance to promote the development of industry clusters, i.e. the private sector firms, financial providers, government and non-government agencies that support the operation of an industry.

This project also works to inform cluster companies about global market trends and improve product quality and operational productivity. CCA strengthens connections among cluster companies and their links to export markets, attracting investment to cluster companies and improving their business environment. CCA plays a leading role in coordinating the international community's activities in forestry reform aimed at sustainable economic governance of BiH's forests.

The project manages the US\$ 1.5 million "Competitiveness Implementation Fund" and promotes the US\$ 31 million DCA Loan Guarantee facility that supports business finance to the wood processing, tourism and agri-business sectors.<sup>18</sup>

The bulk of the US\$ 16 million is appropriated by USAID to an implementing agency, in this case to Deloitte Touche Tohmatsu Emerging Markets Group for international consultants to manage the program. Two explicit questions, then, arise: 1—why would USAID target wood processing, tourism, and agri-business sectors (and provide loan guarantees as well), when these sectors do not appreciably reduce the 3:1 trade deficit?; and 2—why do international consultants receive the bulk of funding, rather than local stakeholders? Modern global economic markets require from all participants modern strategies and tactics so as to effectively compete. However, relative to the nation-building process of Bosnia-Herzegovina, these modern strategies and tactics are simply not being implemented, and worse, not even discussed. If individual private sector businesses require reasoned business plans to ensure they have considered all appropriate strategies and tactics to earn a profit and grow in the market place, and if state-wide production output is increasingly dependent upon individual private sector businesses being effective in competing for profits in the global market place, then it should be reasonable to expect that nation-states, themselves, also require modern business plans (meaning, economic develop-

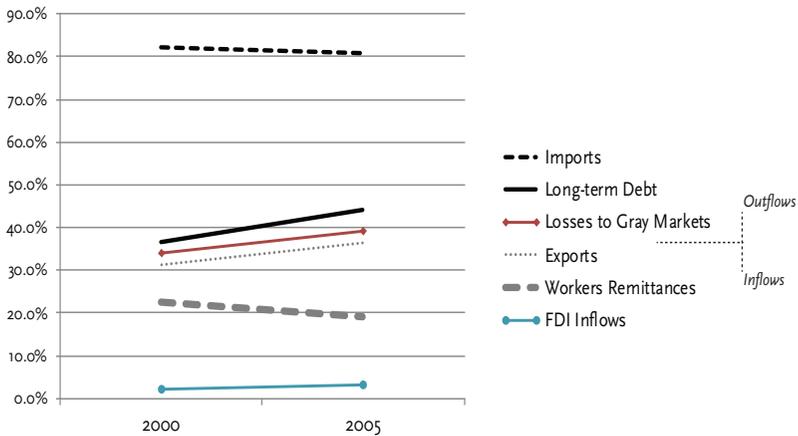
<sup>18</sup> As of July 11, 2006: [www.usaid.ba](http://www.usaid.ba)

ment plans) so as to ensure nation-state profitability (balance of payments and foreign currency reserves).

*The Product of a Failing Nation-State*

Whilst the International Community imposes mere symbols of democracy and capitalism via the nation-building process, its geopolitical policies weaken into quagmire, gray markets and organized corruption deepen its nexus with the government, and various ethno-nationalisms continue to fester. Bosnia-Herzegovina’s economy is acutely vulnerable to renewed armed violence and ethnic cleansing, leading to a possible destabilization of the entire Balkans region. Table 8 clearly illustrates the present state of the Bosnia-Herzegovina economy.

**Table 8 - Snapshot of Bosnia’s Economic Health**



In proportion to the state’s GDP, capital outflows substantially outweigh inflows: of particular note in relation to outflows, imports are in excess of twice than that of any other indicator; and in relation to inflows, workers remittances (Bosnians living abroad and remitting their foreign salaries to families back in Bosnia-Herzegovina) contributes about 20% to the state’s GDP. Long-term debt is nearly 15 times greater than FDI inflows. Conversely, entire indus-

tries throughout the country are essentially bleeding to death (Table 9). As a consequence of cheap, black-gray market imports, Bosnian companies have little to produce for local Bosnian consumption. Bosnian industries do not yet possess the expertise and resources to produce modern-day products and services in demand by increasingly sophisticated foreign markets.

**Table 9 - Industries hemorrhaging losses** <sup>19</sup>

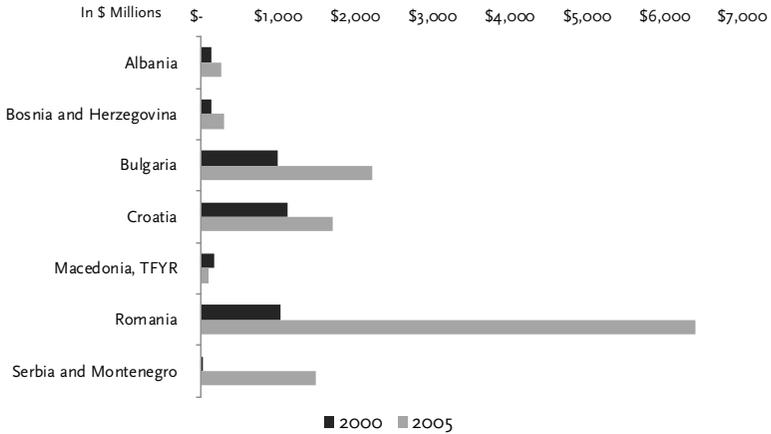
<b>Average Annual Losses (in US\$ millions)</b>	
Agriculture, Hunting and Forestry	(8.0)
Fishing	(0.3)
Mining	(39.6)
Manufacturing	(157.2)
Electricity, Water, Gas Supply	(56.2)
Construction	(27.8)
Retail & Wholesale; Repair of Vehicles	(74.7)
Catering, Hotel Services, etc.	(6.2)
Transport, Storing & Communications	(37.0)
Financial Services	(0.5)
Real Estate, Renting & Business Services	(6.0)
<b>TOTAL</b>	<b>(413.5)</b>

The following two tables illustrate that FDI plays a negligible role in the economic development of Bosnia-Herzegovina. Table 10 shows that Bosnia-Herzegovina attracts substantially less FDI in comparison to most other SEE states; and Table 11 shows that what FDI Bosnia-Herzegovina is able to attract, the FDI does not positively impact GDP growth rates (meaning, the FDI is essentially misdirected to investments which produce little or no growth for the state).

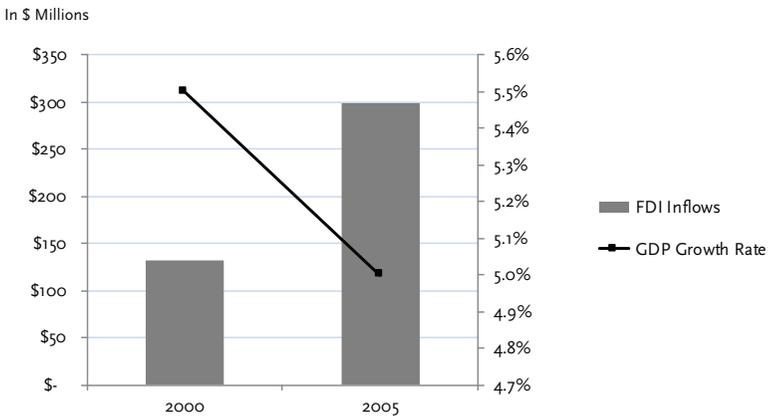
.....

<sup>19</sup> Compiled: Federal Institute of Development Planning and USAID

**Table 10 - Bosnia: attracting minimal FDI in relation to other SEE countries**



**Table 11 - FDI Inflows: Ineffective to Stimulate GDP Growth Rate**



The macroeconomic foundations of Bosnia-Herzegovina are not only far from being self-sustaining, the state is: (a) considered a pariah state by foreign institutional investors and essentially shunned; and (b) quickly sliding into abject dependency upon international donations (which are steeply declining). Any national economy possesses basically only a limited number of options to generate enough revenue to keep the balance of its common citizens under control and its political elite entrenched in power. Either a

government focuses its economic and political attention to the development of a military-industrial agenda, depletes natural resources out of its soil and water, or it produces goods and services for export. Bosnia-Herzegovina has neither the capital, political strength, nor a collective national public will to redevelop its former Yugoslavia-era military-industrial complex. Further, the country possesses *some* exploitable natural resources—but not in the volumes necessary to support and sustain a national economy. Production for export is obviously not occurring at a rate necessary to stabilize the country's economy. Since international donations are declining, only one other alternative exists for the state to gain access to hard currency: debt. Bosnia's debt liability is already a massive 44.4% of the state's GDP—which, even if it could repay, can only severely negatively impact price, wage and labor stability in the years to come. Beyond the simple question of how does the state service its present debt liabilities (it is already in arrears), the question then becomes: what happens when access to additional debt financing is denied?

In short, Bosnia-Herzegovina has essentially become a ghetto state. But even more troubling: assume someone, somewhere eventually was capable of designing a fairly straight-forward and market-logic strategy to substantively develop the state's production of goods and services appropriate for export, Bosnia's population and workforce are essentially ill-prepared to produce the very goods and services in demand by modern market economies and their constituent international production systems. The vast majority of Bosnia's university-level educated workforce is already working (or continues to migrate out of the state). Of the 45% of the population unemployed, most of the unemployed are unskilled and low-skilled labor resources (Table 12). The Bosnian workforce will require decades of education and training to survive and compete in the 'new economy.'

**Table 12 - Composition of Bosnia's Unemployed (2005)**

Unqualified workers	38%
Skilled workers	35%
Secondary education	20%
Semi-skilled and highly-skilled workers	5%
University degree, two-year diploma	2%

The inescapable observations to be made from the above economic indicators:

- The economy of Bosnia-Herzegovina is failing;
- The economy of Bosnia-Herzegovina, in its present form, is not relevant to modern global economic markets, and will continue to be isolated from transnational innovation, collaboration, production, and consumption systems;
- In the consequential economic vacuum, gray markets and organized corruption networks have taken root and are ever-growing;
- No amount of policy enactments or geopolitical maneuvering can ever provide Bosnia-Herzegovina a credible and economic place on the world stage, thus, making vulnerable the world stage to gray market and organized corruption incursions, civil unrest, and even militant extremism.

## 2. Logical Evidence of Failure

### *No Market Economic Definitions of State Sustainability*

The causal argument to be made here is that failing states such as Bosnia-Herzegovina are failing primarily because the fundamental goals and objectives of the nation-building process have been conventionally viewed almost exclusively in context to geopolitical world order objectives rather than global market economic interdependency objectives. In a post Cold War world of global economic markets based on private sector consumerism rather than militarism, the power states' nation-building efforts have thus far failed to assist developing states to integrate into these new global markets so as to secure the state's economic sustainability—and from this economic sustainability, the state's social and political sustainability would be secured. Thus, if economic sustainability objectives were to replace orthodox geopolitical objectives—these new geoeconomic objectives (intentions) can actually be computationally, rather than subjectively, referenced to an unambiguous statement of goals.

***Unambiguous Goals.*** Within 21st century markets, the unambiguous goals of state economic development and its sustainability can

be defined directly:

- Raise overall per capita GDP to a minimum of US\$ 5,000. Because the average working age population (age 15–64) of any state is about 54.6% of the total population, the actual working population needs to be earning about US\$ 9,158 per capita GDP.
- Raise the overall employment rate to 95% of the working age population.
- Raise global R&D focus to at least 2.24% of GDP (OECD mean average).
- Raise export-oriented corporate registrations focused on attracting and implementing value-chain and international production systems to a minimum of 40% of total global corporate registrations.

The crucial elements of the developmental process of the world's international production systems are that these value-chain-based systems can take various forms, ranging from production-driven FDI-based systems involving intra-firm trade among affiliates to looser buyer-driven, non-equity-based networks of independent suppliers (as in international subcontracting and contract manufacturing). Thus, for these relationships to be inherently possible, substantive relevant components of a supply chain need to exist. Within developing states, however, the majority of these 21st century components do not exist—and, in fact, are decades from even beginning to coalesce.

Indeed, there is a fundamental lack of knowledge within developing states that these international production systems even exist throughout global markets. If the relevant components of international production systems do not inherently exist within developing states, either they must be purposefully 'transplanted' *en bloc* by transnational corporations, or the gray markets will continue to fill the vacuum.

***Unambiguous Objectives.*** Consequently, when the above 21st century goals are identified, the objectives (intentions) of state economic development and its sustainability are redefined.

- Establish economic sustainability within the state; and
- Based on this economic sustainability, social and political

stability will possess an exponentially greater opportunity to be secured and maintained.

Too often, it is a vague hope that a specific political leader can somehow wield enough social (or even military) influence to keep everyone happy. One of the unique elements of a democracy, however, is that constituencies are only really happy when they have jobs. Only jobs can bring about political and social stability within a democracy. Since many states have either chosen or have been coerced by the international community to journey on the path of democracy, these states now have no choice but to create jobs with the capacity to (a) instill happiness within the workforce, their families, and communities; (b) embody the culture and spirit of their states within these new livelihoods; and (c) to contribute to a world community that which can only come from the character and culture of their respective states.

Yet, the conundrum posed by modern economics with respect to democracy is that modern markets require a critical mass of economic actors, ranging from large corporate production to SME supply chain services, from business-to-business consumption to business-to-consumer consumption. Throughout western democracies, economic critical mass has taken generations to achieve. In developing states, however, due to the rapid and insidious nature of global gray markets and organized corruption, young democracies simply do not have the luxury of time to evolve their markets to the eventual building of an economic critical mass. Economic critical mass, as unattainable as it may seem to a developing state, is an immutable and *a priori* requirement to social and political sustainability. Geopolitical world order operates with the logic that the first objective of a state is to achieve political stability, which then provides for social stability, then economic stability—and this reversal of *a priori* requirements is the central contradiction between geopolitics and geoeconomics.

### *Lack of Sustainability-based Objectives Results in Power Vacuum*

Neither the International Community nor the peoples/government of Bosnia-Herzegovina have ever possessed a clear vision or accountability-based strategy as to what effectively defines a

stable and sustaining state with respect to Bosnia-Herzegovina as a unified state. In its initial response to the post-conflict needs of Bosnia-Herzegovina, the International Community focused on three overly-simplistic missions: (a) refugee returns, (b) reconstruction of homes, selected buildings, and basic transportation and public utilities, and (c) the democratization of Bosnia-Herzegovina's political system—all components of the Washington Consensus agenda. This humanitarian-reconstruction-democratization agenda was supposedly to operate as an 'enabling environment' for social and economic development to organically occur. But these organically-driven social and economic developments have not taken place. Nor, are they likely to take place at any time in the near future.

***Bedfellows of Power.*** When the International Community initially undertook the responsibility to intervene in the sovereign affairs of post-conflict Bosnia-Herzegovina, this was institutionally implemented via separate and counter-competing vehicles:

*Humanitarian-Reconstruction Vehicles.* Aid agencies delivered the first-stage humanitarian-related aid (refugee return, building reconstruction, land mine clearance, and local transportation, as examples) almost exclusively directly to the local (rather than the state) level. The vast majority of aid organizations provide disaster and humanitarian assistance directly to the local level, often purposefully avoiding the bureaucratic morass that often is present on the state level of governments. But this local level delivery of aid dangerously empowers local tribal warlords and ethnic-based political party structures, and this, consequently, contributes to a weak state government. This local empowerment is not limited to political recognition, but also includes substantial financial empowerment. In a post disaster or conflict environment, it is generally the 'war profiteers' (those earning substantial wealth by either instigating or encouraging conflict) who shrewdly transform themselves into 'peace and reconstruction profiteers', and it is these peace and reconstruction profiteers who significantly profit from local humanitarian aid, and thus, strengthen the very elements and stakeholders which profited from inter-ethnic conflict in the first place. A network of thousands of NGOs from a multitude of mainly Western nations—and essentially non-regulated in any formal manner—delivers and implements this disaster relief and humanitarian aid and assistance

directly to the local level. This aid and assistance, most often, is not prioritized or even coordinated within any overarching and accountability-based strategy that ultimately leads to state sustainability. As a direct consequence of the aid/assistance not being prioritized and coordinated with built-in standards of accountability, these NGOs often duplicate and overlap their projects with competing projects funded by competing geopolitical interests within the International Community (or more accurately, competing coalitions of power states with differing interests within the merely emblematic term of the International Community).

*Nation-building Vehicles.* Relative to the nation-building related aid and assistance, the larger power states selectively use either the various instruments of multilateralism (such as the UN, European Commission, World Bank/IMF, EBRD, etc.) and/or direct bilateral institutions, such as direct government-to-government funding or via donor state NGOs. The majority of the multilateral and some of the larger bilateral aid is delivered and implemented on the various government levels—a confusing mix of state, Federation (Muslim and Croat), Republika Srpska (Serb), Cantons, and Municipalities. An example of this: the World Bank/IMF provides the state government of Bosnia-Herzegovina with a substantial sovereign debt arrangement. The state-level parliament will formally meet, and agree to the World Bank/IMF funding. However, since the state-level parliament is mainly comprised of the three competing ethno-nationalist political parties, leaders of these parties have already secretly met to immediately divide the World Bank/IMF funding along ethno-nationalist divisions. After the funds have been distributed, the World Bank will task an international team of experts to work with the state government leaders to design and implement various education reforms, but no one from the state government is available to work with the international team (“*we’re sorry, but we don’t have an office or specific employees trained to work with your international team... perhaps you could help us to receive more international funding to establish this new government office, and train our local staff and experts... then we can work with your international team of education reform experts.*”). This farcical drama places in a compromising position the international team, already on the ground in Bosnia-Herzegovina. They can’t report back to their Washington, DC-based superiors with the report that they have no one to work with (for this

would blatantly call into legal question the entire funding provided by the sovereign debt agreement). So, the team does the next best thing: they work with local schools—or more accurately, with local ethno-nationalist officials. And thus, they again empower and embolden the local stakeholders and beneficiaries of ethno-nationalist political parties. Strikingly, however, when formal reports are written and submitted to various leaders in international capitals, here is a sampling of what they read (from the *World Bank Country Brief on Bosnia-Herzegovina*, 2002<sup>20</sup>):

Since 1996, Bosnia and Herzegovina has seen a remarkable transformation of its devastated society and economy. In the post-war period, GDP grew at an annual average of 25 percent, the country's critical infrastructure was rebuilt, and modern political and economic institutions and processes were born. While political stability has been established, and significant improvements in public finance management have taken place, economic development has markedly decelerated from its peak following the Dayton Peace Accord in 1995. Real GDP growth in 2001 was only 5 percent. This was due to an environment that continues to be unfavorable to the mobilization of domestic savings and local and foreign investment, as well as declining foreign aid flows.

The country's capital base has been effectively restored. Transport infrastructure was rebuilt, schools and medical facilities constructed, a family health care system established, **the education system reformed**,<sup>21</sup> housing rehabilitated or rebuilt, and energy supply restored throughout the country. During the period of reconstruction and recovery, the Bank provided nearly 15 percent of total donor pledges (US\$5.4 billion) and leveraged another 7 percent in project cofinancing. New jobs have been created and sustained. Through the first and second Local Initiatives Credits, some 160,000 jobs were created or sustained. Almost 50 percent of these jobs are held by women and 25 percent by displaced persons

20 [http://lnweb18.worldbank.org/eca/eca.nsf/1d215807a1d7db8e852567d10011a8b7/2d5c292db0f9926585256c2400537b84/\\$FILE/Bosnia%20and%20Herzegovina%20Country%20Brief.pdf](http://lnweb18.worldbank.org/eca/eca.nsf/1d215807a1d7db8e852567d10011a8b7/2d5c292db0f9926585256c2400537b84/$FILE/Bosnia%20and%20Herzegovina%20Country%20Brief.pdf)

21 **Emphasis added.** Still today, at the writing of this thesis, Bosnia-Herzegovina's education system has not yet been reformed, and indeed, is consistently deteriorating in its essential management and in its relevance of curriculum. Other so-called achievements outlined in this World Bank report are blatantly inaccurate or exaggerated.

and returning refugees, some of the most vulnerable groups in Bosnian society.

*The Power of Intervention in Sovereign Affairs.* In the case of Bosnia-Herzegovina, an International Community appointed quasi-governor, the High Representative (generally, a sitting or former public servant from one of the EU member states), is provided a mixed mandate of power and authority in Bosnia-Herzegovina. The High Representative, as an example, has the authority to remove from political office someone who is believed to possess a clearly definable risk to state security. However, the High Representative has almost no power to enforce any decision or action of the Office of the High Representative (OHR). Further, as a consequence of the High Representative being politically appointed by influences within the EU, the agenda and the actions of the High Representative have often been in contradiction to the agenda and actions of non-EU influences within the so-called International Community.

***Who's the Beneficiary?*** As a consequence of this often competing and fractious process of delivering and implementing aid to transitioning states, two specific groups of stakeholders become the larger beneficiaries of billions of dollars of aid funding: (a) the international NGOs and their staffs who earn exceptionally advanced salaries and fees to primarily write documents and reports such as the *World Bank 2002 Country Brief* referenced above, and (b) the local ethno-nationalist political parties and the domestic and foreign corruption networks they represent. Bosnia-Herzegovina's general public simply do not most often benefit from the international aid, and once the more substantial amounts of international aid are either diminished or even discontinued (indeed, already by 2003, donor fatigue had already begun to set in, and funding to Bosnia-Herzegovina was dramatically reduced), no or little sustainability in the development of the nation has actually occurred.

***Democracy, But Not Economy.*** The International and Bosnian stakeholders have directed almost no focus toward the development and growth of Bosnia-Herzegovina's market economy (thus, involving and benefiting the disenfranchised general public). When the International Community does attempt to progress beyond the

simplistic mission of cajoling the weak state government to adopt the most basic aspects of democratization policies, and thus only faintly involve itself in tangible economic development actions, the two primary non-policy measures undertaken by the International Community (relative to Bosnia-Herzegovina) are primarily directed toward: (a) building ‘clusters’ (workshop-attending clubs) of agriculture, timber, and tourism stakeholders, and (b) holding up the false carrot of integration and membership into the European Union. The consequences to these two feeble economic development missions are both negligible (still today, Bosnia-Herzegovina imports a full three times more than it exports) and counterproductive (the EU is presently suffering from ‘enlargement fatigue’ and it is simply not realistic to expect Bosnia-Herzegovina EU membership for several decades).

***Lack of Economy Leads to Corruption.*** The above dysfunctional attributes of the International Community and of the lack of focus on establishing a critical mass of economic development, creates a disabling and seemingly irradicable power vacuum within Bosnia-Herzegovina. Two interoperating interests then fill this power vacuum: local and foreign corruption networks. Well organized corruption networks within Bosnia-Herzegovina control the vast majority of the state’s wealth, real estate, and levers of power (this includes organized corruption in all its facets—bribery, nepotism, embezzlement, diversion of public funds, tax fraud, illegal rent seeking, kick-back schemes etc.). The corruption-engineered public sector accounts for 54% of the annual GDP—more than in any other European country. These internal networks, then, coordinate and cooperate with larger region-wide corruption networks:

[Region-wide] criminal networks are estimated as being able to traffic as many as 200,000 women and children through the Balkans every year, many of them through Bosnia-Herzegovina. Interpol estimates that about seventy per cent of the heroin seized in Western Europe transited through the Balkans route. A range of other commodities, like cigarettes, alcohol, arms, pornography, forged goods, drugs, works of art, hi-tech items, stolen cars and much more pass through Bosnia-Herzegovina each year. In effect, all these activities create an enormous demand for corrupt

transactions, which becomes manifest when the informal economy meets formal political and administrative structures.<sup>22</sup>

In addition to the black market components of organized corruption (drugs, arms, forged goods, etc.), Bosnia-Herzegovina is substantially vulnerable to corruption's 'gray' or 'informal' components (economic activities and the income derived from them that circumvent government regulation, taxation or observation<sup>23</sup>). Common reasons for the gray economy to take root within any market (Schneider, 2004):

In almost all studies it has been found that tax and social security contribution burdens are one of the main causes for the existence of the shadow economy. Since taxes affect labor-leisure choices, and also stimulate labor supply in the shadow economy. The bigger the difference between the total cost of labor in the official economy and the after-tax earnings (from work), the greater is the incentive to avoid this difference and to work in the shadow economy. Since this difference depends broadly on the social security burden/payments and the overall tax burden, they are key features of the existence and the increase of the shadow economy. But even major tax reforms with major tax rate deductions will not lead to a substantial decrease of the shadow economy. Such reforms will only be able to stabilize the size of the shadow economy and avoid a further increase. Social networks and personal relationships, the high profit from irregular activities and associated investments in real and human capital are strong ties which prevent people from transferring to the official economy. This fact makes it even more difficult for politicians to carry out major reforms because they may not gain a lot from them. The increase of the intensity of regulations (often measured in the numbers of laws and regulations, like licenses requirements) is another important factor, which reduces the freedom (of choice) for individuals engaged in the official economy.<sup>24</sup>

22 Chr. Michelsen Institute, *Corruption in Bosnia and Herzegovina*, 2005

23 Del'Anno (2003), Del'Anno and Schneider (2004)

24 *The Size of the Shadow Economies of 145 Countries all over the World*, Friedrich Schneider, 2004

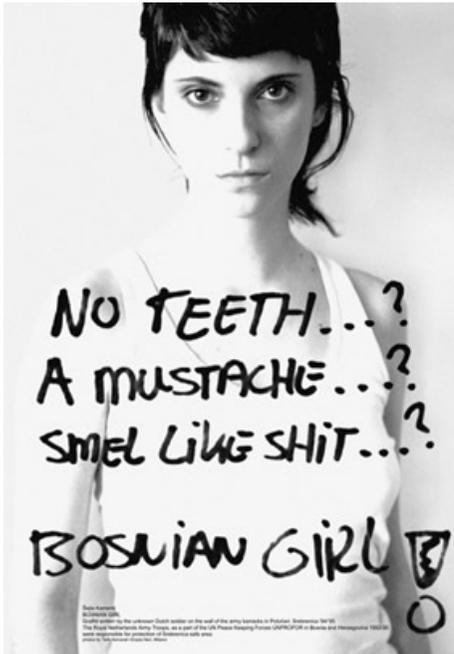
Consequently, for states such as Bosnia-Herzegovina which are particularly susceptible to the enabling influence of organized corruption upon the gray market, the common methods of those participating in the gray market to circumvent official markets: (a) non-payment of labor income, revenue taxes, or social security contributions, (b) avoidance of legal labor market standards, such as minimum wages, maximum working hours, safety standards, etc., and (c) non-compliance with certain administrative procedures, such as completing statistical questionnaires or other administrative forms. Table 13 illustrates the substantial—and growing—impact of the gray economy specifically on Bosnia-Herzegovina.

**Table 13 - The Continuing Growth of Gray Markets in Bosnia-Herzegovina**

% of GDP		In US\$	
2000	2003	2000	2003
34.1%	36.7%	\$1.53 billion	\$2.57 billion

Source: Schneider, 2004

**Figure 3 - An Image of Propaganda**



The small print text at the bottom of the poster reads:

*Graffiti written by the unknown Dutch soldier on the wall of the army barracks in Potocari, Srebrenica '94/'95. The Royal Netherlands Army Troops, as part of the UN Peace Keeping Forces (UNPROFOR) in Bosnia-Herzegovina 1992-96 were responsible for protection of Srebrenica safe area.*

***Corruption Leads to Manipulation.*** Organized corruption networks, local and regional, actually empower and hold answerable Bosnia-Herzegovina's ethno-nationalist political leadership (notwithstanding the political leaders were democratically elected). Various ethno-nationalist tensions are then carefully stage-managed by the corruption networks and political leadership for the express purpose of alienating the general public against other ethnic groups as well as the international community itself. The poster shown in Figure 3 (above), and plastered throughout cities, villages, and the countryside of Bosnia-Herzegovina during the summer of 2003, makes visible a single example of this stage-management of tension.

It was generally reported throughout various local newspapers at the time that the photographer of the poster was from an outside Islamic state specifically committed to fostering mistrust between Muslims and the International Community—and by association, between Muslims and Croats and Serbs. At least that was then the rumor, the perception, the reality within Bosnia-Herzegovina and the vacuum that has come to exist within the state. The artist of the poster is actually Šejla Kamerić<sup>25</sup> whose intentions were apparently merely an artistic expression of a social-political concept, not to be used as mass propaganda for any particular political or ethnic party. No matter truth or perception—inescapably, an informal but dangerously calculating influence now fills the vacuum and is perceptibly brought to bear on the weak state of Bosnia-Herzegovina by regional and/or conventionally non-power states operating outside the formal structure and mandates of multilateral institutions.

***Corruption & Manipulation Lead to State Failure.*** As a consequence of the often conflicting geopolitical interests, and lack of sustainable economic development, the manipulations by organized corruption of ethnic tensions—a convoluted and poisoned wound is made to fester. Within the International Community, a culture of short-termism, ineffectiveness, and even fatigue has set in. Within the general public of Bosnia-Herzegovina, a culture of disenfranchisement, apathy, and entitlement has set in. And within the various corruption networks and ethno-nationalist political parties, a culture of selfish gluttony continues to enjoy, with absolute impunity, its luscious fruits.

---

25 <http://www.sejlakameric.com/main.htm>

### 3. Global Consequences of Failure

#### *When States Fail, a Great Number of them Fail*

The failing of Bosnia-Herzegovina as a nation-state, regrettably, is not the exception. It is increasingly the rule. In a sweeping study of global state failure events, the University of Maryland's *State Failure Task Force Report: Phase III Findings* details no less than 135 state-failure events that occurred between 1955 and 1998.<sup>26</sup> The majority of these state failures occurred subsequent to two major shifts in world order positioning: the first wave following the withdrawal of the colonizing powers during the 1960s and 70s, and the second wave following the ending of the Cold War and the resulting breakup of the Soviet Union. But the key commonality found within a majority percentage of these state failures is that intra-state (mainly, inter-ethnic) conflict is the primary symptom (not consequence) of state failure, and this inter-ethnic conflict is: (a) essentially rooted in the primary seeking of control of the state's wealth of natural resources, (b) like Bosnia-Herzegovina, a multitude of global inter-ethnic tensions and agenda are somewhat stage-managed, even fabricated so that organized corruption networks can operate with greater efficiency.

*Fund for Peace*, an independent research organization, and *Foreign Policy* compiled their second-annual Failed States Index<sup>27</sup> in May, 2006. Using 12 social, economic, political, and military indicators, 148 states were ranked in order of their vulnerability to violent internal conflict and societal dysfunction. The 80 most vulnerable states are listed in Table 14. Bosnia-Herzegovina is ranked 35 out of a total 148 vulnerable states.

.....

26 Dr. Monty G. Marshall, University of Maryland... [et al.], Project data sets include nearly 1,300 political, demographic, economic, social, and environmental variables for all world countries from 1955 to 1998.

27 In this index, a failing state is one in which the government does not have effective control of its territory, is not perceived as legitimate by a significant portion of its population, does not provide domestic security or basic public services to its citizens, and lacks a monopoly on the use of force. [Foreign Policy]

Table 14 - Failed States Index (2006)

Rank	State	Index	Rank	State	Index
1	Sudan	112.3	41	Mauritania	87.8
2	Dem Rep of Congo	110.1	42	Tajikistan	87.7
3	Cote d'Ivoire	109.2	43	Russia	87.1
4	Iraq	109	44	Niger	87
5	Zimbabwe	108.9	45	Turkmenistan	86.1
6	Chad	105.9	46	Guinea-Bissau	85.4
7	Somalia	105.9	47	Cambodia	85
8	Haiti	104.6	48	Dominican Republic	85
9	Pakistan	103.1	49	Papua New Guinea	84.6
10	Afghanistan	99.8	50	Belarus	84.5
11	Guinea	99	51	Guatemala	84.3
12	Liberia	99	52	Equatorial Guinea	84
13	Central African Rep.	97.5	53	Iran	84
14	North Korea	97.3	54	Eritrea	83.9
15	Burundi	96.7	<b>55</b>	<b>Serbia &amp; Montenegro</b>	<b>83.8</b>
16	Yemen	96.6	56	Bolivia	82.9
17	Sierra Leone	96.6	57	China	82.5
18	Burma/Myanmar	96.5	58	Moldova	82.5
19	Bangladesh	96.3	59	Nicaragua	82.4
20	Nepal	95.4	60	Georgia	82.2
21	Uganda	94.5	61	Azerbaijan	81.9
22	Nigeria	94.4	62	Cuba	81.9
23	Uzbekistan	94.4	63	Ecuador	81.2
24	Rwanda	92.9	64	Venezuela	81.2
25	Sri Lanka	92.4	65	Lebanon	80.5
26	Ethiopia	91.9	66	Zambia	79.6
27	Colombia	91.8	67	Israel	79.4
28	Kyrgyzstan	90.3	68	Philippines	79.2
29	Malawi	89.8	69	Peru	79.2
30	Burkina Faso	89.7	70	Vietnam	78.6
31	Egypt	89.5	71	Tanzania	78.3
32	Indonesia	89.2	72	Algeria	77.8
33	Syria	88.6	73	Saudi Arabia	77.2
34	Kenya	88.6	74	Jordan	77
<b>35</b>	<b>Bosnia-Herzegovina</b>	<b>88.5</b>	75	Honduras	76.7
36	Cameroon	88.4	76	Morocco	76.5
37	Angola	88.3	77	El Salvador	76.1
38	Togo	88.3	<b>78</b>	<b>Macedonia</b>	<b>75.1</b>
39	Bhutan	87.9	79	Thailand	74.9
40	Laos	87.9	80	Mozambique	74.8

### 12.7 Trillion Reasons to be Concerned About State Failures

In 2003 alone, US\$ 12.7 trillion was lost to the gray markets. This is even greater than the U.S. total GDP output for a single year (US\$ 11.7 trillion). And these figures are rising. As Table 15 illustrates, the OECD states actually rank the highest in gray market losses than any other region, representing about 37% of the losses. If the gray markets are still such a significant influence within the highly developed OECD states—states where substantive efforts, regulations, and institutions are fervently focused on crime and enforcement—then exactly what can be realistically expected of the non-OECD states in their attempt to control the gray markets?

**Table 15 - The Extreme Impact of the Gray Markets**

	% GDP		in US\$ B	% of Total
	2000	2003	2003	
Central & South America	34.2	41.5	1,748	14
Africa	33.9	41.2	793	6
Transition states	31.5	37.9	1,281	10
South Pacific Islands	31.7	33.4	3	0.03
Asia	20.9	26.3	2,553	20
Communist states	19.4	21.8	1,636	13
OECD states	<u>13.2</u>	<u>16.8</u>	<u>4,748</u>	37
<b>Unweighted Avg</b>	<b>33.6</b>	<b>35.2</b>	<b>12,762</b>	

Source: Schneider, 2004

Most governments attempt to control these gray market activities through various measures such as punishment, prosecution, economic growth, or education. Friedman, Johnson, Kaufmann and Zoido-Lobaton (1999) specifically studied the impact of government regulation has on the gray markets, and their findings were stark: increasing regulation is correlated with a larger gray market economy. A one point increase in an index of regulation (ranging from 1-5) is associated with a 10% increase in the gray market economy. Schneider (2004) observes that while increasing regulation actually increases the gray market, governments actually prefer this policy option (more regulations and laws), when trying to reduce the gray market economy, ostensibly because it leads to an increase

in power of the bureaucrats and to a higher rate of employment in the public sector. Understanding how the gray market economies harshly impact local and world societies—by severely reducing labor wages, social benefits, and tax revenues—and understanding how governments tend to manage (mismanage) the gray markets by primarily attempting to increase regulation so as to increase power of bureaucrats, two specific observations can be made relative to decaying world order in general and failing states in specific:

- Post Cold War governments possess a diminishing capacity to directly influence two particular components of any private sector led economic market: the SMEs which directly facilitate the gray markets, and the general public consumer which indirectly benefits from potentially lower prices originating from gray market actors.
- As the International Community designs and implements foreign policies as well as specific nation-building exercises, and as the International Community is itself comprised of government officials and a need for self-preservation, it should be of no surprise that these foreign policies and nation-building exercises tend to utilize the conventional bureaucrat-centric tool of regulation when addressing the issue of gray markets, no matter its ineffectiveness, even counter-productiveness.

Finally, it should be observed that governments are increasingly an irrelevant influence upon the modern actors of global economics (SMEs and consumers, even most large transnational corporations). And if governments—the key holders of power within the geopolitical process of world order—are increasingly irrelevant in controlling world order, then what actually defines world order in the 21st century? Whether specific to Bosnia-Herzegovina, or the other failing states more generally, one of the core observations to be made here is that the entire process—personnel, institutions, and essential logic—of foreign policy and nation-building exercises requires a radical alternative design and implementation strategy. Later sections will begin to proffer a skeletal foundation for such an alternative. An alternative grounded not in subjective policy, but rather in essential economics.

This case study has clearly demonstrated that Bosnia-Herzegovina, like most developing states throughout the world, is now, and for the foreseeable future, isolated from the real world of global economic markets. This once proud state is now only a ghetto, desperately dependent upon the donor community for mere survival. The next section peers under the skin of this state failure to explain how and why geopolitical world order is only an illusion.

## IV. WORLD ORDER CORPSE: ROOTS OF FAILURE

The above case study conducted over a nine-year period in Bosnia-Herzegovina has revealed specific data, empirical and logical, demonstrating the failure of a nation-building exercise rooted in geopolitical, rather than geoeconomic objectives. Further, the case study has shown that when an economic critical mass does not exist within a developing state, gray markets and organized corruption networks rapidly fill the vacuum—which then form a nexus with corrupt governments to the extent that state sustainability is impeded. These corrupting viruses now infecting a myriad of nation-states, consequently, spread beyond individual state borders and into the bloodstream of global markets. Corporations, no matter their reach throughout the global marketplace, are tangibly affected by US\$ 12.7 trillion in losses to the gray markets. What negatively affects corporations, then, must inevitably also affect global consumers—either via higher prices or lost employment opportunities. What negatively affects global consumers, then, must inevitably also affect political systems and those that serve in politics—either political agenda are forced to react in an increasingly protectionist or isolationist manner, or suffer the consequences of public repudiation. Once any nation is isolated from global economic markets, the resulting power vacuum created in all nations becomes an unhealthy breeding ground for fear, anger, and extremism.

Although geopolitical precepts and systems are growing progressively irrelevant in facilitating modern economic markets—a root cause of the nation-building failures now leading to a decaying world order, it is important to peel away the skin of geopolitics itself so as to view the deeper philosophical underpinnings to world order and their contradictions to modern economic markets. What will be exposed in this section leads to the realization that geopolitics is primarily focused on the archaic and abstract notion of securing power for the *state*, whereas modern geoeconomics recognizes the inherent *stateless* nature of livelihood, and thus is primarily focused on day-to-day practicality: interdependency for the individual. The

tool to be used on this autopsy of the corpse of world order is the dialectic scalpel; dissection leads to synthesis; synthesis leads to understanding; understanding leads to transformation.

## 1. Nation-building: Cure or Disease?

Nation-building essentially refers to the official assistance/intervention mandated to strengthen, reconstruct, or reform intercivilizational differences and conflicts within the borders of a post conflict, failing, or vulnerable to failing state—conventionally by some type of imposed or coerced democratization or civil administrative process, and/or reconstruction of select infrastructure/industry assets. Nation-building is conventionally referred to as a soft power tool wielded by governments on either a multilateral or bilateral footing. Conversely, military and legal responses (including peacekeeping exercises) are referred to as hard power tools. Of the 55 hard power peace operations the United Nations has mounted since 1945, 41 (or nearly 80 percent) began after 1989. Fifteen of these were still under way in 2003. Table 16 lists several of the major soft power nation-building exercises undertaken since 1898.<sup>28</sup>

**Table 16 - Major Nation-building Exercises - since 1898**

Target Country	Period	Duration (years)	Type of Interim Administration	Democracy after 10 years?
Iraq	2003-present	5+	U.S. direct admin. & local admin.	?
Afghanistan	2001–present	7+	U.N. admin., then local admin.	?
East Timor	1999-present	9+	UN administration	?
Kosovo	1999-present	9+	NATO military action, U.N. admin.	?
Bosnia	1995-present	13+	Various: NATO, U.N., OSCE, EU	?
Haiti (attempt 2)	1994–1996	2	Local administration	No
Somalia	1992-1994	2	U.N. humanitarian oversight	No
----- END OF COLD WAR -----				
Panama (attempt 2)	1989	<1	Local administration	Yes
Grenada	1983	<1	Local administration	Yes

<sup>28</sup> James Dobbins, RAND, *America's role in nation-building: from Germany to Iraq*, 2003

Target Country	Period	Duration (years)	Type of Interim Administration	Democracy after 10 years?
Cambodia	1970–1973	3	U.S. surrogate regime	No
South Vietnam	1964–1973	9	U.S. surrogate regime	No
Dominican Rep. (2)	1965–1966	1	U.S. surrogate regime	No
Japan	1945–1952	7	U.S. direct admin.	Yes
West Germany	1945–1949	4	Multilateral admin.	Yes
Cuba (attempt 3)	1917–1922	5	U.S. surrogate regime	No
Dominican Rep. (1)	1916–1924	8	U.S. direct admin.	No
Haiti (attempt 1)	1915–1934	19	U.S. surrogate regime	No
Nicaragua	1909–1933	18	U.S. surrogate regime	No
Cuba (attempt 2)	1906–1909	3	U.S. direct admin.	No
Panama (attempt 1)	1903–1936	33	U.S. surrogate regime	No
Cuba (attempt 1)	1898–1902	3	U.S. direct admin.	No

The International Community's commitment to mandate a soft power nation-building exercise is undertaken on a case-by-case basis: (a) sometimes extremely reluctantly, (b) sometimes even avoided, (c) and sometimes, to specifically further its ulterior and subjective-based motives relating to the omnipresent geopolitical chess matches being played throughout various regions in the world. The more striking findings of the Rand study, however, reflect that only two successful outcomes to nation-building have ever been achieved.

The post-World War II occupations of Germany and Japan were America's earliest efforts to employ military force in the aftermath of a conflict so as to underpin rapid and fundamental economic and societal transformation. Both were wide-ranging efforts that possessed (a) a clear purpose to engineer major social, political, and economic reconstruction, and (b) active participation and partnership with the governments of Japan and Germany—which it should be noted had both possessed essentially homogenous cultures, yet quite diversified and robust economies previous to the war, making the nation-building effort more of a 'nation-reconstruction' effort. The cases of Germany and Japan set a standard for post-conflict nation-building that has not since been matched.

### *The Nation-building Blueprint for Bosnia-Herzegovina: Doomed to Fail*

The General Framework Agreement for Peace in Bosnia-Herzegovina, 1995 (The Dayton Peace Agreement) is much more than a traditional peace treaty. It is an act of “political-engineering.”<sup>29</sup> The Dayton agreement secured four basic geopolitical aims:

- Cessation of armed aggression (and its related ethnic cleansing) by and between the three parties, then Yugoslavia (now Serbia), Croatia, and Bosnia-Herzegovina, and disarmament of the parties’ three military and paramilitary apparatuses.
- Partial security of territorial borders; partial meaning that (a) a semi-autonomous two-entity ‘separate but united’ state, comprised of the Muslim-Croat Federation and the Serb dominated Republika Srpska; (b) within the Federation, the entity was further divided into 10 ‘cantons’ which are divided by ethnic population majority; (c) the issue of the ‘District of Brcko’ was not resolved within the Dayton agreement, and is still unresolved.
- Partial protection of human rights; partial meaning that institutions such as the United Nations and NATO were designated to ‘keep the peace’ and to facilitate the safe and secure passage of refugees back to their homes, but the ‘rules of engagement’ of the UN and NATO forces were specifically limited. Furthermore, the UN was designated to oversee the training of a multi-ethnic civil police force. But as has been highlighted earlier, both the international and Bosnian constituents of the civil police institutions have proven to not facilitate true security. An extension of the human rights protection mandate was to secure a system for free and fair elections.
- The Dayton agreement also established an ‘Office of the High Representative’ which was originally designed to simply facilitate the civilian implementation of reconciliation and reconstruction (such as securing the legal infrastructure which protects the legal property status of returning refugees, and constitutional court redress capabilities, etc.). It was this specific instrument which, although well-inten-

---

29 *From Protectorate to Partnership*, Christophe Solioz

tioned, expanded profoundly the scope of power of the International Community. Some academicians and foreign policy specialists have claimed that this was done against the will of the Bosnian people:

Under the guise of a negotiated peace settlement, [the Dayton agreement] sought to create a new political entity which was not a product of popular consensus or popular involvement and was seen by many Bosnians as an external imposition.<sup>30</sup>

In fact, all of Bosnia's ethnic groups have at some point accused the Office of the High Representative and other International Community institutions of contravention of the Dayton agreement guarantees of ethnic autonomy. In 2000, a Bosnian-circulated petition even called for the removal of the then U.S. Ambassador, Tom Miller, for "over-stepping his authority upon the sovereign nation of Bosnia-Herzegovina." At the Dayton talks in 1995, however, and as Table 17 illustrates, the International Community had thought it had designed a fairly specific and limited mandate by which to maintain overall peace and security within Bosnia-Herzegovina.

**Table 17 - Annexes to the Dayton agreement**

Annex	Area of Authority	International Body
1 Part A Part B	Military Aspects Regional Stabilization	NATO (IFOR, later SFOR) OSCE
2	Inter-Entity Boundary	NATO (IFOR, later SFOR)
3 Article II.3	Elections Provisional Election Commission PEC	OSCE
4 Article IV	Constitution Constitutional Court	High Representative (HR) European Court of Human Rights
Article VII	Central Bank	International Monetary Fund
6 - Part B Part C	Human Rights Ombudsperson Human Rights Chamber	OSCE Council of Europe
7	Refugees and Displaced Persons	UNHCR
8	Commission on Public Corporations	EBRD
10	Civilian Implementation	High Representative (HR)
11	International Police Task Force	United Nations

<sup>30</sup> *Bosnia: Faking Democracy after Dayton*, David Chandler, 2000

Only two major Annexes addressed Bosnia's macro-economic systems: Article VII, which instituted a national currency board, but still called a Central Bank (as discussed earlier, a currency board is somewhat different from a Central Bank; a Central Bank is authorized to be the lender of last resort to the government, whereas the present currency board is limited in its scope of authority to manage only matters specifically related to currency and interest rates, etc.); and Annex 8, which established the Commission on Public Corporations, tasked to manage the protection of Bosnia's public enterprises. The currency board was to be initially managed by the International Monetary Fund, obviously in coordination with the World Bank. The Commission on Public Corporations was to be managed by the European Bank for Reconstruction and Development, the European counterpart of the World Bank. But several events and circumstances on the ground propelled the International Community to vastly expand its mandate and powers in a progressive manner since 1995 to the present. Unwittingly, the International Community has today become the *de facto* protector of Bosnia-Herzegovina.

Almost from the beginning, it became apparent to the International Community that any kind of central government in Bosnia-Herzegovina did not, in practicality, exist. Each of the three ethno-nationalist political parties<sup>31</sup> operating in Bosnia-Herzegovina not only deliberately obstructed every single activity of a government-in-reconciliation, the political parties deliberately obstructed even the most basic of international aid programs. Minor details were consistently blown up into major disagreements, such as demanding that every single document was to be translated into each of the three separate 'languages' of Serbian, Croatian, and Bosnian, even though the three languages are almost identical—only the pronunciation of select words is ever so slightly different (and that for 50

31 Serb SDS, Croat HDZ, and Muslim SDA are the three primary political parties operating in Bosnia-Herzegovina, but also in their 'home' nations of Croatia, Serbia, and a pan-regional community of Muslims throughout the SEE region. It should be clear from these type of ethno-nationalist party structures, that: (a) external, cross-border influences between the HDZ parties in Croatia and Bosnia-Herzegovina are primarily focused on supporting the extremist identities of 'Croats', whilst the SDS parties in Serbia and Bosnia-Herzegovina are primarily focused on supporting the extremist identities of 'Serbs'—ever-linking these opposing ethno-nationalist identities to the influences of states external to Bosnia-Herzegovina; and (b) due to these over-whelming external influences via cross-border ethno-nationalist political parties, fundamental societal issues such as education, health care, economic development—for the benefit and sustainability of the nation-state of Bosnia-Herzegovina—are simply not addressed.

years as Yugoslavs, they all spoke the same language, Serbo-Croat, and all read and wrote in both Latin and Cyrillic alphabets).

The International Community quickly was caught up in the minutiae of details that the Bosnians were demanding. Within each debilitating detail, the International Community increasingly found itself involved not in 'facilitation' between the parties, but actually designing and co-implementing various policies and programs on behalf of the parties. Then, the human rights protection mandate was expanded. Since the Republika Srpska demanded nearly every single refugee returnee to undergo a complex and time consuming legal proceeding before they would be granted the right to return to their pre-war apartments, and paradoxically, the Republika Srpska courts would not recognize non-Serb attorneys so as to represent the interests of the refugees, the International Community was forced to provide more legal and tactical day-to-day support to and even intervention on behalf of the refugees. It rapidly became clear that the court judges were mostly corrupt, and a more day-to-day management of and intervention in the legal system machinery was required so as to simply guarantee basic legal rights for common Bosnian citizens.

Next, it became clear to the International Community that the banking sector was nearly totally corrupt, and required intervention and restructuring so as to simply protect the country's money supply. This quickly increased the scope and mandate of the World Bank, the International Monetary Fund, and the other International Financial Institutions (IFIs). Particularly when the International Community lost tens of millions of dollars to the corrupt banking system, massive legal intervention and systemic reform was instituted by the International Community, mainly via the U.S. Treasury and USAID. Next, it became clear that the media was being controlled and manipulated by the political parties, so it was necessary for the International Community to intervene and begin to reform the country's media sector.

In December 1997, the Bonn Peace Implementation Council conference decided on the question of a more assertive implementation of the Dayton agreement, and broadened the High Representative's powers over a potentially unlimited range of subject matters. The so-called 'Bonn powers' gave the High Representative the power to dismiss obstructive public officials and to impose legislation if

Bosnian legislative bodies failed to do so. Over his two-year term, the High Representative Carlos Westendorp imposed about 65 laws and ‘decisions,’ ranging from citizenship issues, to a new national flag (Bosnians could not agree on a flag design), and to common car license plates (the original Yugoslav and Bosnian license plates designated the city origin of the car’s owner—SA for Sarajevo, MO for Mostar, TZ for Tuzla, etc.—and hence, identified whether the driver was Muslim, Croat, or Serb as most cities throughout Bosnia-Herzegovina had been ethnically cleansed). OHR then opened the door to more basic macro-economic and corporate management issues, ranging from privatization of the country’s public enterprises, to telecommunication sector reform, and the like.

OHR then took the longer step to dismiss uncooperative public officials, including a member of the presidency and numerous government ministers. Additionally, an increasing number of government regulatory and legal reforms which were being stonewalled by the Bosnians, were more swiftly imposed upon the Bosnian legislature by OHR. Each of the serving High Representatives has attempted to cautiously and judiciously exercise these broad powers, and in fact, has changed its methodology several times, from being more forceful and imposing of reforms, to being more cajoling and ‘partnership’ oriented. The vision has often shifted back and forth from one of tough leadership by the International Community to one of attempting to encourage the Bosnians to take ‘ownership’ of their country.

The High Representative does not, however, control the budgetary process. Except for the Central Bank (currency board), which is managed by an appointed international governor, the Bosnian financial machinery is totally under the control of the Bosnians, or rather the three ethno-nationalist political parties. As Table 18 shows, the areas of the greatest increase in International Community intervention included economic issues, removals and suspensions from office, and media restructuring.

.....

**Table 18 - The Changing Role of the International Community**

	High Representatives		% Change
	C. Westendorp	W. Petritsch	
	1997-1999	1999-2001	
Decisions concerning:			
State-level & constitutional issues	12	10	-17
Economic issues	8	35	438
Judicial reform	12	8	-33
Removals & suspensions from office	14	66	471
Media restructuring	2	10	500
Property law, return of refugees	17	24	41

But then, the role and influence of the International Community was expanded into such areas as prescribing various international-standards security and economic institutions, which were established by decree by the High Representative. This ‘institution building’ agenda is where the intervention by the International Community has revealed its substantive weaknesses:

- Bosnian governments do not have the funds for these often costly institutions. A few examples: the state-level court system (meaning, both entities have their own individual court system), the ministry for foreign affairs, education, health care, etc. already consumes an astounding 47% of the country’s GDP (EU average for government expenditures is about 36% of GDP—and EU governments typically provide much more sophisticated and costly services than do Bosnia’s present governments). Then, the State Border Service (SBS), estimated to require US\$ 30-35 million annually, will consume approximately half of the present state-level budget (cantonal and municipal budgets are the primary budgetary systems; most taxes are collected on the cantonal and municipal level, as opposed to the state level). But without adequate resources, the SBS’s capacity to fulfill its operational mandate will be limited. The municipality of Trebinje, for example, lies on one of Europe’s most prolific smuggling routes for arms and stolen cars. At present, its 190 kilometers of border are patrolled by a total of 110 SBS officers equipped with only 3 cars, 6 radios and a handful of

pistols to share between them.<sup>32</sup>

- The International Community most often does not appropriate adequate funding to the institutions it establishes by OHR decree. An example of this: the Bosnia-Herzegovina Institute for Standards, Metrology and Intellectual Property. In November 2000, OHR issued a Decision (decree) based on its recognition that, conventionally, various copyright issues have substantial affects upon trade (import and export) and on the fact that the Bosnian state-level government was not prepared to independently focus on these issues. Later that month, and after a great deal of pressure from OHR, the Parliament voted to recognize the establishment of the Institute, but has yet to authorize any budget or operational plan for the Institute. To date, the International Community has yet to appropriate any substantive funding to the Institute—which presently legally exists, but which does not operationally exist.
- The International Community traditionally equates nation-building objectives and institutions to political, military, and security systems—and almost exclusively evades direct entanglements with private sector economic systems, institutions, and actors. In the old world of geopolitical systems largely influenced by military-industrial demand, it is understandable why these historical principles have been entrenched into the fundamental geopolitical structures of world governments. But as has been repeatedly communicated in these pages, post Cold War economic markets are increasingly motivated by private sector consumer and knowledge demand, and are progressively adding a new dimension to the principles of nation-statehood: the transnationalization of the private corporate sector and its interdependent effects between global and local economic markets. Since the International Community largely evades entanglements with the private sector, and since the transnational private corporate sector also evades entanglements with inefficient and less developed economies, a specific vacuum is created within the very segment of society truly

---

32 *Report of Secretary-General to the Security Council, June 2001*

capable of reaching beyond differences in ethnicity and into the unifying and self-sustaining objectives of economic interdependencies. Consequently, those elements which promptly fill the vacuum—the nexus of ethno-nationalist political parties and organized corruption networks—implement their own version of nation-building.

- Bosnians (and peoples from most other developing states) naturally comprehend the old world institutions being imposed upon them by the International Community are not at all relevant. Indeed, many Bosnians view the creation of these old world institutions as “*nice children’s games*”.<sup>33</sup> The common citizens of developing states recognize these old world institutions as being counterproductive to the long-term sustainability of a state vis-à-vis creating the vacuum which then is filled by ethno-nationalists and organized corruption—a vacuum in which the common citizens are therefore forced to survive.

Four geopolitical versus geoeconomic observations begin to emerge:

- The conventional geopolitical objectives guiding international interventionism upon the state affairs of any failing or failed state in the post Cold War era are in direct contradiction to the ‘stateless’ objectives inherent to modern private sector economic markets. Further, no matter the objectives, the very strategies and tools now being used in the nation-building process are essentially being designed and implemented in nothing more than an ad hoc manner.
- Left unexplored by this ad hoc, geopolitical, and self-preserving approach to nation-building is the realization that the rights and responsibilities of the International Community with respect to intervening into the sovereign affairs of another state on an economic basis, is clearly no longer possible in the context of modern private sector led market economics.
- There lacks a purposeful recognition of Bosnian ‘ownership’ of the nation-state building process—which would

---

33 Quoted to the author by a leading ethno-nationalist political leader.

have otherwise demonstrated an *a priori* act of ‘self-determination’ for the creation and responsible maintenance of a sovereign nation. To put this in another way: what if the International Community could finally come together in a true moral, non-geopolitical, non-self-serving showing of conscience and commitment to Bosnian self-sustainability, providing any amount of capital necessary for the express purpose of helping Bosnia-Herzegovina to reach economic, social, and political sustainability... but only the pirates showed up? Left unexplored by an *ad hoc*, geopolitical, and self-preserving approach to nation-building are the complex questions relating to a peoples’ rights and responsibilities toward self-determination—and balancing the objectives of self-determination with the objectives of global economic market interdependencies.

- There is now a palpable fatigue to the immense budgetary costs associated with the International Community building the web of constituent institutions inherent to a modern state capable of assimilation within the ever-modernizing European structures and systems. Further, the International Community is increasingly realizing the jeopardy to security of the wider European region if these structures and systems were to be forestalled. Geopolitically, no one really expects or even hopes that Bosnia-Herzegovina might be a competitive force in the global market place. A great deal of geopolitical effort is focused on just keeping the status quo, on preventing the SEE region from spiraling out of control. Consequently, Bosnia-Herzegovina sits in limbo, held as a geopolitical prisoner to the manipulations of both the International Community and the extremists of the ethno-nationalist political parties.

The best test so as to resolve the contradictions between geopolitics and geoeconomics is the test of self-sustainability. The reason for the benchmark of self-sustainability is two-fold: (a) nations are like organs and tissues of a living being, interdependent upon each other, but also each organ must be capable of an inherent function of its own accord (this differs substantially from the notion that nations are inanimate pieces of a clockwork, constructed by some

clock maker); and (b) the true dignity of a peoples is determined when they become contributors to civilization rather than servants to the system or welfare recipients. However, before this test of self-sustainability may be confronted, it is important to confront a particular underlying foundation to both nation-building and world order, the misunderstandings and misapplications of conflict resolution.

### *Misunderstandings & Misapplications of Conflict Resolution*

What makes conflict resolution even more challenging within the application of nation-building is the added objective of the International Community to impose the adoption of *democracy* along side of conflict resolution. It has been sometimes alleged, however, that democracy cannot survive in the midst of severe ethnic divisions.<sup>34</sup> John Stuart Mill wrote in *Representative Government* that democracy is “next to impossible in a country made up of different nationalities.” Historically, the International Community’s agenda of ‘national integration’ and ‘nation-building’ have historically proved to be “not only ineffective but counterproductive, tending to exacerbate what they sought to eradicate.”<sup>35</sup> It is important to emphasize that there exists two primary foundations, or schools, of conflict resolution, one being the intellectual study of ethnic conflict, and the other being the analysis and execution of measures to alleviate or at least mediate ethnic conflict. Interestingly, practitioners from these two separate schools rarely meet in collaboration and cooperation. Hence, it is often difficult to identify diplomats who have an intellectual understanding of ethnic conflict theory, and conversely, to identify intellectuals in the field of ethnic conflict who have real world experience in resolving ethnic conflicts.

Evolving worldwide ideological and institutional currents (such as the end of the Cold War, globalization of the private sector economic markets, the explosive growth of the Internet, and the 2004 ‘big-bang’ expansion of the European Union, to name only a few), often cast mistrust (and self-doubt) throughout (and within) ethnic groups regarding their fundamental worth and competitive capacity to perform in the evolving currents of global civilizational evolution. Hence, these groups often attempt to take control of a

34 *Politics in Plural Societies*, Alvin Rabushka and Kenneth A. Shepsle

35 *Ethnic Groups in Conflict*, Donald L. Horowitz

state, before someone takes control of *them*. Control and exemption from control are among the main goals of ethnic conflict. Additionally, modernization of a society presents challenges to the ethnic relationships; benefits of modernization (technological, economic, and educational opportunities) may become unevenly distributed between ethnic groups.<sup>36</sup> This leads to conflicts brought about by ‘social mobilization,’ where ethnic conflict is:

...the product of something analogous to a race between rates of social mobilization and rates of assimilation. The proportion of mobilized but unassimilated persons is the first crude indicator of group conflict.<sup>37</sup>

Ethnic conflicts within Bosnia-Herzegovina, and more generally throughout the Balkans, are comprised of an exceptionally complex web of causes and effects. These causes and effects cannot be simply overlooked by the International Community—but indeed they are. Many of the diplomats and bureaucrats that come to Bosnia-Herzegovina simply do not have adequate knowledge of the region, or of its social and political complexities, and hence, are made less effective in the implementation of their agenda as a result. Incredibly, many of the higher ranking diplomats and NATO leadership intentionally shun the slightest edification regarding Bosnia’s complex past; rather, greater store is given to their own ego of diplomatic skills and prowess to surmount any problem that might arise in Bosnia-Herzegovina.

A perhaps apocryphal but enlightening example with respect to designing and implementing specific tactics to alleviate ethnic conflict: in 1945, when the Japanese evacuated from Christmas Island, they left two things behind: war-weary Malays and Chinese inhabitants and a substantial cache of small arms. But the Japanese, before leaving, arranged for the Chinese to keep the rifles and pistol magazines, whilst the Malays kept the rifle bolts and the pistols. This deliberate measure illustrates the important role that *reciprocal concessions* can play in conflict resolution, even though the parties may have possessed little else to endeavor to resolve their conflicts. Indeed, the Christmas Islanders seized the moment and

36 *Ethnicity and National Formation*, Brass, Modernization, Melson and Wolpe

37 *Nationalism and Social Communication*, Karl W. Deutsch

the exhausted Malays and the Chinese thankfully consummated an agreement. If one were to then extrapolate this lesson to Bosnia-Herzegovina: when the International Community first engaged the Bosnians after the war, they allowed the three ethno-nationalist extremist political parties to ‘sub-nationalize’ each of the country’s public enterprises, rather than distribute, say, the telecommunications company to one ethnic group, the power utilities company to the second ethnic group, and the gas and water companies to the third ethnic group—which would have forced Bosnia’s diverse ethnic groups to become interdependent, in much the same way the rifle and pistol components were distributed to the Malays and the Chinese making them interdependent.

This thesis is not attempting to advocate that this ‘sub-nationalization’ tactic should have been used. Rather, this thesis contends that the pre-war Bosnian constitution provided that the *public enterprises* were owned by the public and not the state *per se*, and therefore, only the people, in a strict interpretation of the constitution, could have agreed to invest/divest the companies’ assets and liabilities. Consequently, additional choices of tactics (and international leadership) did in fact exist, but were not considered.

This author was unable to locate and identify any official International Community documents which debate any of these possible tactics. Indeed, the observational conclusion that can be discerned by the lack of official debate on the subject of ethnic conflict resolution twined with Bosnia’s public economic assets is that no debate was ever instigated and that the International Community simply came into Bosnia-Herzegovina blind and without any deliberate plan at all. There exists within the associations of consociation and conflict management professionals a general consensus of successful techniques to construct consociation democracy:

‘Grand coalition’ of all ethnic groups; mutual veto in decision making; ethnic proportionality in the allocation of certain opportunities and offices; and ethnic autonomy, are often expressed in federalism. <sup>38</sup>

<sup>38</sup> *Democracy in Plural Societies*, Arend Lijphart

Again, these limited examples do not do justice to the complexity of options relating to the diverse tactics of conflict resolution. And as Donald Horowitz warns with respect to various structural and distributive approaches of conflict resolution:

Between the naïveté of those who would abolish ethnic differences in short order through ‘nation-building’ — the cynicism of those who would simply suppress those differences — and the pessimism of those who would counsel costly and disruptive partition as the only way out — between these shoals, there lurk passages that are... more realistic. And above all, there is much more scope for constructive policy innovation in the area of ethnic conflict than policymakers in divided societies have generally acknowledged.

Indeed, another example of a successful utilization of an ethnic conflict resolution approach that was not considered: in an effort to balance the population of Singapore between the increasing influences of the West and what Singaporeans believed were their peoples’ core values, they wrote a *White Paper of Singaporean ‘Shared Values’*:

- *Nation before [ethnic] community and society above self;*
- *Family as the basic unity of society;*
- *Regard and community support for the individual;*
- *Consensus instead of contention;*
- *Racial and religious harmony.*

Critically, Singapore emphasized that the country was:

...in crucial respects an Asian society and must remain one... Singaporeans are not Americans or Anglo-Saxons, though we may speak English and wear Western dress. If over the longer term Singaporeans became indistinguishable from Americans, British, or Australians, or worse, become a poor imitation of them, we will lose our edge over the Western societies which enables us to hold our own internationally.

Bosnians—the citizens—never constructed such an *a priori* view of the nation-state of Bosnia-Herzegovina. They never had the

chance; ethno-nationalist extremists and the International Community, as history and this case study have demonstrated, undertook to impose their own strategic and polarizing objectives into the geopolitical ‘theatre’ of Bosnia-Herzegovina. The consequences of a nation-state not possessing an *a priori* intention to build and ever-improve itself are now unavoidably apparent in the failure of Bosnia-Herzegovina. Recently rendered in the journal *Foreign Affairs*, raising the notion that the EU single carrot strategy for Bosnia-Herzegovina is but a house of cards:

Paddy Ashdown [then High Representative in Bosnia-Herzegovina], has been heard to remark that he has only one big carrot, EU membership, with which to influence Bosnian behavior. But this carrot will start to seem less tempting if Brussels cannot make the prospect of membership realistic, and the benefits tangible.<sup>39</sup>

Jeopardy exists in the long-term conflict resolution and management of the ‘Bosnia Enigma’:

- The day-to-day challenges and implications of the EU assimilating any more than its present 27 member states into a new ‘Union of European States’ will require substantially more time and funding resources than initially anticipated.
- The hitherto unspoken realization that the donor funding and private sector capitalization required to effectively stabilize Bosnia-Herzegovina and the wider Balkans region is substantially greater than ever expected, and this more accurate realization may prove an insurmountable obstacle for the International Community to manage.
- External crises, such as Kosovo’s 2008 declaration of independence from Serbia, palpably threaten security and stability throughout the entire SEE region. Indeed, Bosnian Serbs located in the Republika of Srpska entity of Bosnia-Herzegovina continue to threaten that they, too, will declare its independence.
- If the single carrot theory begins to rot, then what? Already, there are indications that the EU carrot is losing its effec-

<sup>39</sup> Can the EU Hack the Balkans? Abramowitz, Hurlburt, *Foreign Affairs* (Sept 2002)

tiveness and that both geopolitical systems of world order and ethno-nationalist/organized corruption systems are now locked in the self-perpetuating cycle of a Cold War of ‘reform’.

To dynamise reform at least two related requirements stand out. First, there needs to be political will, shared throughout the political and administrative elite. The prospect of EU integration, though appealing, is apparently still insufficient to induce some to give up entrenched positions and privileges in the name of a wider, long-term good. Secondly, BiH must develop integrated governmental and administrative structures that favour reform.<sup>40</sup>

Resultantly, by viewing the nuances of conflict resolution—its science and art—what can be observed is the primary intent of the International Community appears neither focused on resolving intra-state conflict for the essential benefit of the developing state, nor held accountable for their failing methods and results. Rather, separate and often competing alliances within the ‘International Community’ appear to exploit these nation-building exercises for the self-benefit of the alliance. Weak governments of developing states are simply not capable of evading this exploitation, and the civilian populations of the world are, in the main, uninformed to the nuances of conflict resolution, nation-building, and international relations. Thus, the system, the dynasty, continues. The following section deconstructs the geopolitical world into spheres of influence—influences that were in the past generally defined by their political, military, or natural resource strength. Progressively, however, as world order is defined by the economic relevance of nation-states, the geopolitical status quo will lose its control over these spheres. Indeed, the *sphere* is rapidly being replaced by a *network of networks*. And as will be demonstrated, no amount of geopolitical carrots can impact a singular state isolated from this network or networks.

40 Commission of the European Communities Stabilization and Association Report for Bosnia-Herzegovina, 2003

## 2. Geopolitical Status Quo vs. Dynamic Global Markets

For the sake of simplicity, three primary spheres of economic states exist within the context of geopolitical world order: (a) *innovative-diverse* market-based economies—medium-to-highly innovating and competitive within global markets, generally governed within a framework of democratic processes and the rule of law (broadly, the 30 member OECD states), (b) *emergent* market-based economies, generally governed by some form of transitioning government and various market institutions within some definable stage of adopting and adapting to the market economy precepts and institutions so as to actively compete within the global markets—but, importantly, possess negligible capacity to innovate new technology and services on a global scale, and may be only sluggishly committed to adhering to a system of rule of law (broadly, states such as China, Russia, India, Brazil, portions of the Middle East), and (c) *non- or negligibly-competitive* states, generally weak and failing states (approximately 107 states)

[see *Appendix: State per capita GDP Data for detailed list*].

### *Hinge and Fringe States as Dysfunctional Actors in Global Economics*

With respect to the *emergent* economies (China, Russia, India, Brazil, portions of the Middle East etc.), the following cause and effect challenges presently face not only these emergent states, but the entire stability of world order:

***Still ‘Old World’ in Assets and Process.*** The overwhelming majority of non-OECD states are almost exclusively dependent upon limited sources of global trade revenue (namely, petroleum-based resources, such as oil and natural gas, and the import/export of foreign innovated products). A critical mass of new and diverse wealth generating innovations and globally competitive services simply does not yet exist within these states. For global markets to operate somewhere close to efficiently, each market requires some element of compatibility, some process where not only import/export can function but additionally, product innovation, collaboration, and consumption can also function. Without this critical mass

of product innovation, collaboration, and consumption distributed amongst the larger populations of a developing state, the state will be essentially irrelevant in the global economic market. Even in the rapidly evolving BRIC states (Brazil, Russia, India, China), authoritarianism and adherence to hierarchical organization are still the foundations of both governance and corporate operations. As will be detailed below, 21st century economics demands the opposite foundations of *ad-hocism* and collaborative organization to be competitive, thus relevant to the global market. It will be difficult enough for the BRIC states to attempt to alter their assets and process so as to effectively compete in the global markets. It will be substantially more difficult for the less developed states to even contemplate the notion of competition, and consequently, the elites of government/military, gray markets, and organized corruption establish their nexus within these non-competitive and vulnerable states.

***Low Skills Yield Low Economies & Polarization.*** When these emergent states do attempt to compete in some type of global markets, (a) they tend to attempt to compete on the agricultural and cheap labor markets, rather than actually develop new innovations and services, (b) the innovative-diverse states essentially dominate both the markets and multilateral institutions which administer the markets, which weakens the emergent state in its ability to generate new wealth stakeholders (and thus, enable and sustain state order), and (c) a polarizing gap widens between not only the markets but the political relations between the emergent and innovative-diverse states. This, in turn, results in a self-realizing cycle of disenfranchisement, isolation, and polarization between states, and indeed, contributes to the emergent state feeling obliged to utilize oil, natural gas, corruption, and/or terrorism as negotiating tools.

***Elites Control the 'Old World'.*** Thus, the wealth generation of these emergent economies remains under the control of the elites. Increasingly, the general populations of these states feel disenfranchised. And three consequences of this mass disenfranchisement have been visible for some time: (a) conventionally autocratic governments maintain the status quo and hope they can maintain some sense of order within the state—mainly, by means of violent repression and/or totalitarian control (North Korea, as an example),

(b) when the status quo begins to be noticeably ineffective in maintaining state order, either governments stage-manage some foreign affairs crisis (Iran, as an example)—and this can quickly contribute to the state supporting some aspect of destabilizing other states and regions, as well as enabling terrorist organizations on a regional or global scale, or they appeal to some form of extreme-based populism (Venezuela, as an example), and (c) the governments cannot maintain state order, and are replaced by revolutionary opposition groups (Ukraine, as an example).

***Opposition Groups Cannot Solve Economic Problems Any More than Incumbents.*** Even if and when opposition groups may gain control over the levers of government, the euphoria quite quickly relapses into the harsh realities that it is exceptionally complex and difficult to develop a critical mass of new and diverse wealth generation stakeholders—particularly in some rapid time frame so as to maintain state order (again, Ukraine, as a recent example). Soon thereafter, the new governments either resort to the identical status and tactics of the governments they replaced, or they too are replaced, and again, these new governments soon realize they too cannot develop new and diverse wealth generation stakeholders. The cycle is indeed unremitting.

***Thus, the Vacuum for Corruption & Violence is Created.*** Within this persistent cycle of government-to-public instability, organized corruption networks quite rapidly and vociferously fill the vacuum. But as has been demonstrated with respect to Bosnia-Herzegovina, organized corruption networks expand well beyond state borders and severely impact a vast number of other states. Worrying, too, is a growing nexus between organized crime networks to facilitate and finance global terrorism groups.

Russia's Ministry of Internal Affairs estimates that 40 % of private business, 60 % of state-owned enterprises, and between 50 % and 85 % of banks are controlled by organized crime. All told, roughly two-thirds of Russia's economy is under the sway of the crime syndicates. Protection rackets are the primary reason that there have been far fewer small business startups in Russia than in the former communist states of Eastern and Central Europe.

The [former] director of the FBI, Louis Freeh, has testified before congressional committees that Russian crime syndicates have established working relationships with counterparts in 50 other countries, up from 29 countries in 1994. [These crime syndicates] are trafficking increasingly in weapons by exploiting corruption, subhuman living conditions, and chronically late wages in the Russian military. This leverage gives them access to arms stockpiles. Theft and illegal sales of weapons, hardware, and narcotics are moved by military transport vehicles that cannot be searched by law enforcement officials. Western intelligence agencies believe that short- and medium-range missiles have been smuggled to customers in the Middle East in this manner.

Organized crime groups also are facilitating narcotics trafficking along new transit routes from major heroin-producing areas in Asia that cross the former Soviet Union, thus avoiding searches by West European law enforcement agencies along the more traditional routes.<sup>41</sup>

***The Angry Voices of Democratization.*** When organized corruption networks have been enabled within these emergent states, and when no critical mass exists of new and diverse wealth generating stakeholders, no amount of *democratization* can begin to stabilize and sustain the essential requirements of emergent states and their markets. Indeed, the general public of these states tend to be extremely aware of how seriously entwined corruption and radicalization become in the affairs of their society, and most often become completely disillusioned with and even disrespectful toward the International Community for marketing democratization as the solution to the failing state's mounting problems. Hence, four primary observations can be made:

- When individual power states or various coalitions of power states operating within the so-called International Community undertake the mission to politically or militarily intervene in the sovereign affairs of another state (Iraq, as a present example, or Iran or North Korea, as potential examples), it has been clearly demonstrated that destroying a government may be relatively easy, but reconstructing the

<sup>41</sup> Center for Strategic and International Studies, *Russian Organized Crime, Global Organized Crime Project*

occupied state is fraught with systemic and often dangerous failures. It should be fairly straightforward to recognize the dysfunctions that exist within the failing nation-building process in Bosnia-Herzegovina are most likely to be repeated in states such as Iraq, Iran, or North Korea.

- Considerable risks to state and world security exists within a substantial majority of these emergent states, particularly the risks associated with civil unrest, geopolitical manipulations, the virulent nature of organized corruption networks and the nexus between corruption, governments, and inter-ethnic conflicts, the utilization of assets such as oil/natural gas as tools to leverage geopolitical power and influence, even the enabling of regional and global terrorism groups.
- Global markets are generating an increasing volume in wealth via knowledge-economy innovations, intellectual property, goods, and services. Within emergent and non- or negligibly-competitive states, these knowledge-economy assets are increasingly vulnerable to corruption (from software and music to video and product patents) as well as the fact that these technologies, intellectual properties, and services require a diverse and innovative-diverse market within which to be consumed. If knowledge-based economies are in any way limited or even prevented to expand throughout emergent and non- or negligibly-competitive states, then increasingly, innovative-diverse states will be constrained to produce and consume almost entirely within their own markets, and grow to be essentially isolated, economically and politically from the rest of the world—further exacerbating polarizations throughout the world.
- Democratization can never successfully operate as an ‘enabling environment’ for economic and social growth within these emergent states. Rather, it is argued herein that only a critical mass of new and diverse wealth generation stakeholders can serve as the ‘enabling environment’ for the development of social and political growth. These relationships between economic stakeholders, political infrastructures, and society can only be effectively nurtured upon the ‘level playing field’ of globally interdependent livelihoods.

With respect to the *non- or negligibly-competitive* states, generally weak and failing states (approximately 107 states), three specific challenges presently face not only these states, but the entire stability of world order:

- The overwhelming majority of these states are either exclusively dependent upon a single source of global trade revenue (namely, petroleum-based resources, such as oil and natural gas), or virtually do not possess any definable economy at all.
- Thus, these states merely become entangled in a constant ebb and flow of crises, and become disenfranchised from a global community. Increasingly, though, emergent states establish both formal and informal influences within non- or negligibly-competitive states—in part, to provide a counterbalance to the influences originating from the conventional power states.
- Particularly within these non- or negligibly-competitive states, massive organized corruption networks flourish, creating: (a) a seemingly irradicable nexus between corruption, governments, and the society as a whole, (b) considerable pockets of disenfranchisement within a state (leading to the manipulation of inter-ethnic conflict), and (c) a spawning of governments to stage-manage internal (generally ethnic-based) and/or geopolitical conflicts, or environments where militant extremism can gain local power and authority, and may collaborate with like-minded militant extremist groups operating within other states.

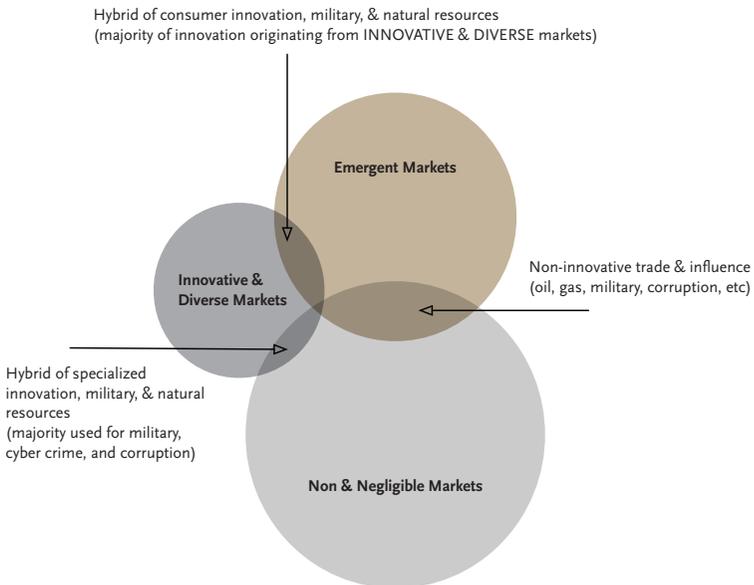
As a consequence of these challenges for *non- or negligibly-competitive* states as well as global order, three primary observations can be made:

- Within such a deeply rooted and consistently dysfunctional environment, these non- or negligibly-competitive states simply cannot ever hope to develop any critical mass of new and diverse wealth generation stakeholders and assets, and thus participate and compete within global markets.
- Within these states, no amount of democratization can ‘enable’ the necessary critical mass. Rather, it can only be a critical mass of new and diverse wealth generation stake-

holders and assets which can ‘enable’ the requisite institutions and processes of democracy.

- Indeed, to empower the disenfranchised and unemployed civil populations of particularly non- or negligibly-competitive states with the processes of democracy in point of fact exacerbates the polarizations between the public and corrupted governments and between diverse ethnic groups. Providing a democratic venue for a nation-state of angry voices will only produce angry voices... and violence. Figure 4 provides a simplified illustration of the limited market interactivity between *innovative-diverse*, *emergent*, and *non- or negligibly-competitive* states.

**Figure 4 – Economic Relationships Constrained within Geopolitical Boundaries**



### *Hinge & Fringe States Compel the Nature of 'National Interest' to Evolve*

With respect to the *innovative-diverse* states, a fusion of the following sociopolitical and economic-specific observations can be made relative to present-day world order as is being influenced by the emergence of global economic markets:

**Limited Scope.** The primary definitions of 'national interests' for the power states have traditionally included a limited scope of priorities: geopolitical relations, military relations and related arms sales, nuclear power stakeholders (energy and weaponry), oil and gas stakeholders, and to a lesser extent (and only after the other national interests have been cosseted), consumer market trade. Thus, power states essentially categorize their national interests within spheres of either *hinge* states (those states which directly impact the power states), or *fringe* states (those states which possess nearly nothing of substantive national interest for the power states). As discussed before, the conceptualization of 'grand strategies' are essentially founded on the objective of balancing power by and between states using geopolitical means—and are generally meant to obtain, protect, or expand the assets of 'national interest'.

**Exploitation, Sovereignty, & Democratization.** As the power states have traditionally managed consumer market trade with both hinge and fringe states, a large focus of these relationships has been to merely exploit large pools of cheap labor or natural resources, predominately as a consequence of neoliberal logic inherent within the Washington Consensus. Extremely little new disposable income has been created within the hinge/fringe states as a consequence of this cheap resources exploitation. Thus, these non-wealthy societies have not been able to establish any focused or sustainable representation within elitist governments, and thus, the elitist governments are able to retain their control, often non-democratically. Adding insult to injury, power states have been either uninterested or reluctant to challenge these non-democratic governments, both sides conveniently taking advantage of positions of 'state sovereignty' and their reliance upon the 'invisible hand of the markets'. As well, a multitude of traded goods are protected—via state subsidies and/

or trade tariffs—from potential competition emanating from hinge/fringe states. Governments and their general public within power states have conventionally benefited from market access to cheap goods, whereas, governments and elites within hinge/fringe states have conventionally benefited from impunity, and whose general public and state assets are merely the global resources to be exploited for their cheap resources.

Paradoxically, the International Community is at times aggressively adamant in its political, military, and financial support to impose upon or otherwise influence a select group of traditionally non-democratic (yet sovereign) states the institutions and policies of democracy (Bosnia-Herzegovina, Kosovo, Afghanistan, Iraq, Palestine, Ukraine, etc.). Indeed, it is effortless to observe the unintended consequences of the International Community's over-simplistic and precarious agenda to impose democracy within the Middle East and other hinge/fringe states: (a) elites within these states often utilize the process of democracy merely to provide legal cover to their non-democratic and often corruption-conflict-oriented intentions, or (b) populist movements often elect governments that essentially are in contradiction to the original geopolitical designs of the International Community (or specific coalitions within the International Community). Recent examples of these unintended consequences: the rise of influence of the Islamic (Shia) religious-based political party in Iraq (and its connections with Shia political influences within Iran), the rise of the Muslim Brotherhood in Egypt, the rise of the Hezbollah in Lebanon (and the implications for militant extremism relating to Palestine and Israel relations), and most recently, the rise of the Hamas extremist-terrorist organization in Palestine (which, to date, does not recognize the legitimacy of the state of Israel), just to name a few democratically elected non-democratic stakeholders. In 2001, Timothy Garton Ash observed the following about the West's *vulgar interpretation of democratization*:<sup>42</sup>

But one of the things that went wrong in the 1990s was what I call by analogy with vulgar Marxism, vulgar Huntingtonism. I mean by that the extraordinary influence and misinterpretation of Sam Huntington's book *The Clash of Civilizations* to be taken as a crude cultural determinant: if you had Western Christianity,

42 *History of the Present: Essays, Sketches and Dispatches from Europe in the 1990s*

the Renaissance, the Reformation, the Enlightenment, you are predestined to democracy; if you had Eastern Christianity or Islam, the Ottoman or Russian empires, you are doomed to dictatorship. This crude cultural determinant seems to have been a pernicious influence on a lot of Western policy approaches to the region.

And as recent events in Palestine might suggest, the International Community finds itself painted into a dangerous corner. On one hand, the International Community (in this case, the U.S., E.U., and Israel—Russia, interestingly, does not legally recognize the term *terrorism* unless and until Russia becomes the direct target of such terrorism), does not want to provide international aid and assistance directly to a government which espouses as one of its primary objectives the destruction of Israel (even though the Hamas government has been democratically elected)—whilst at the same time, if the International Community withholds the desperately needed funds from the Palestinian population for such necessities as electricity, health care, and education, this would almost certainly spark a violence-prone radicalization of the otherwise moderate population. And as the author's case study of nation-building with Bosnia-Herzegovina has demonstrated, delivering and implementing aid programs directly to the local level, whilst purposefully evading the state government, only serves to further weaken the state for decades to come. Palestine, somewhat like Iran and North Korea, are not only victims of corrupt and extremist governments, and thus, stagnant economies; they are victims of an increasingly impotent International Community.

The geopolitical status quo simply cannot hope to neither contain nor otherwise control the dynamic changes to global economic markets. Now, however, it is important to dissect the dialectic antithesis to the controlling nature of the geopolitical status quo: the chaos of modern economics.

### 3. Modern Economics: Peering into the Face of Chaos

Traditional methods of defining and managing geopolitical-based 'national interests' are increasingly coming face-to-face with

what many economists and sociologists refer to as the often chaotic nature of private sector led knowledge-based consumer market economics. Although previous sections have sketched out the notion that great transformations regarding livelihood and taxation have occurred (and continue to occur) in this modern era, a general observation repeated here is that the mainstream paradigm of economics (a juxtaposition of the neoclassicism of Adam Smith, the aggregate demand controlling role of the government of John Maynard Keynes, and the antithesis free-market money supply of Milton Friedman) may now be in the throes of a new and world order-changing transformation. These changes in the very essence of economics—and their resultant civilizational growing pains—may actually provide the most significant evidence to revealing the ever-increasing irrelevance of geopolitical world order.

Equally, however, as the power states continue their astonishing transformation toward generating the bulk of their economic value from the intangible resources of knowledge, the hinge/fringe states become progressively disenfranchised from the ‘new economy’ and exploited by power states for their ‘old economy’ cheap labor and natural resources. History has clearly demonstrated those societies feeling disenfranchised or exploited ultimately attempt to rebalance the distribution of wealth and power, sometimes even violently. The modern era is no different; attempts at rebalancing the advantages of wealth are already underway—not simply originating from hinge/fringe states, but also from the stateless and even from within the power states themselves.

### *Knowledge and Data: Relationship to State & Personal Security*

Prior to highlighting the cause and effect that the knowledge-economy has on the security of personal and national interests, and hence, world order, it is important to briefly clarify three <sup>43</sup> aspects of ‘knowledge’ itself: (a) intellectual property as a direct manifestation of creativity and innovation; (b) intellectual property as an indirect by-product of innovation and production/operations; and (c) data/information as an indirect by-product of operations.

---

<sup>43</sup> A fourth aspect of intellectual property, the relationship between intellectual property as unrestrained value versus monopolized value, is discussed in **Part 2**.

Firstly, relating to intellectual property as a manifestation of creativity and innovation: intellectual property is both the definition given to and operating legal structure protecting intangible works that possess economic value. Intellectual property laws reward the creators of most types of intellectual property by preventing others from copying, performing, or distributing those works without permission and/or economic compensation. The principal types of intellectual property are patents, copyrights, trademarks, and trade secrets. Patents protect inventions that demonstrate technological progress, such as the design of a more fuel efficient engine, a faster micro-processing chip, or a life-saving pharmaceutical. Copyrights protect a variety of literary and artistic works, including paintings, sculpture, poetry, plays, musical compositions, dances, photographs, motion pictures, radio and television programs, sound recordings, and computer software programs. Trademarks protect words, slogans, and symbols that serve to identify different brands of goods and services in the marketplace. Trade secrets is information that belongs to a business and gives that business a competitive advantage, thus, is kept confidential to the business (such as the recipe for the production of Coca Cola® or the mathematical algorithms at the core of the Google® search engine).

Secondly, relating to intellectual property as a by-product of innovation and production/operations: in the course of innovation, production or operations of a business, the business acquires new knowledge that, in and of itself, possesses economic value (present or future). Two examples: (a) in the course of innovating a more fuel efficient engine, the business finds that a unique component of this new engine substantially improves water purification efficiency; and (b) in the course of operating a business with a large employee base, the business finds that its employee training program is uniquely successful in building team collaboration skills. Both examples illustrate a stand-alone by-product of the business, and this by-product, in and of itself, possesses economic value. To capitalize this new value stream, the business decides to either produce and market the by-product itself, or transfer (sale or rent) the intellectual property to another business in return for a percentage of any resulting revenues earned by the other business.

And thirdly, in relation to data/information as an indirect by-product of operations: in the course of operating a business,

the business collects and accumulates certain data and information (such as credit card account numbers and spending habits, medical records, and other personal information) that is confidential to both the business and whom the data/information refers (customers or potential customers). The everyday use of digital technology creates numerous instances in which personal information is collected from the consumer. Everything from a doctor's visit to shopping or sending personal mail presents an opportunity for an invasion of privacy and theft. As we coexist in the tangible and intangible universe, we leave behind 'digital footprints'.

Figure 5 - Examples of Digital Footprints



Intellectual property and knowledge/data has in the modern era become such a ubiquitous ingredient in generating economic value, these assets are increasingly overtaking economic value generated from tangible goods and services (consider the income of a software engineer or motion picture actor in comparison to a construction engineer or pharmacist). As intellectual property and knowledge/data progressively becomes decentralized throughout an ever-widening universe of large and small businesses, institutions, and *ad hoc* communities, as well as diffused throughout a multitude of industries, situations, and applications, these intangible forms of economic value co-reside in the domains of states and statelessness.

This aspect of coexistence is what provides global civilizations its greatest threat of conflict, and equally, opportunity for union. The threat of conflict is two-fold: firstly, from theft or misuse (discussed just below); and secondly, from extreme imbalances between those individuals and states that economically benefit from knowledge versus those that do not (as discussed above and throughout this thesis). The opportunity for union exists in realizing that for centuries Platonic (Western) civilizations have persistently segregated the mind from the body, hands from brains, even work from play—and by unbinding this Platonic constrain, all civilizations might gain access to an entirely new frontier of existence and livelihood. Part 2 of this thesis proffers two models by which this new frontier might be explored. Here, though, the tangible and intangible coexistence of intellectual property and knowledge/data with the state presents the state with particular risks to itself, personal security, and world order.

***Intellectual Property & Security.*** In the main, most tend to identify intellectual property piracy and counterfeiting as tangible products typically peddled at deep discount by sidewalk vendors—music CDs, motion picture DVDs, designer sunglasses, cosmetics, handbags, and watches—bearing popular brands and logos. Modern day counterfeiting operations, however, are no longer limited to luxury goods and apparel related products. Nor are they limited to sidewalks; the Internet is the new sidewalk for piracy. Operating on a more sophisticated and organized level, counterfeiters and pirates are also trading on names and logos often associated with products like pharmaceuticals, foods, auto parts, airline parts, insecticides, cigarettes, even human trafficking. As technology provides the ability to produce greater varieties and numbers of counterfeit goods, very few industries, if any, will remain beyond the reach of skilled and determined counterfeiters.

In 1982, the International Trade Commission estimated U.S. losses from counterfeiting and piracy at US\$ 5.5 billion. In 1988, these losses increased to US\$ 60 billion, and by 1996, US\$ 200 billion. By contrast, bank theft, averages less than US\$ 70 million in losses per year. In 2002, American copyright based industries sustained more than US\$ 9 billion in losses in 56 countries. According to the Motion Picture Association of America (MPAA), global piracy costs the major

movie studios over US\$ 3 billion per year. In 2001, the Business Software Alliance (BSA) estimated the global losses to software piracy to be US\$ 10.9 billion, over 150,000 U.S. jobs, US\$ 5 billion in lost wages and over US\$ 1 billion in lost tax revenue. Counterfeit automobile parts cost the auto industry over US\$ 12 billion in lost sales and over 200,000 jobs. The International Federation of the Phonographic Industry (IFPI) estimates that two out of every five physical recordings are illegal and that, in 2003, the value of the pirate market for music reached US\$ 4.6 billion.

In the European markets, according to a study conducted by the Centre for Economic and Business Research, the trade in counterfeit goods in just four select industries reduces E.U. gross domestic product by €8 billion per annum and costs the region 17,000 jobs. On the global level, the International Chamber of Commerce estimated in 1998 that five to seven percent of world trade is counterfeit goods. Well beyond, however, the mere theft of intellectual property, a tangible threat to national and personal security arises when substandard counterfeit products cause injury and death. Anecdotal accounts highlighted in *The Negative Consequences of International Intellectual Property Theft: Economic Harm, Threats to the Public Health and Safety, and Links to Organized Crime and Terrorist Organizations*, 2005, International AntiCounterfeiting Coalition, Inc. ([www.iacc.org](http://www.iacc.org)), help illustrate the extent of the health and safety risks presented by the sale of counterfeit goods—and keeping in mind, these examples are from a single industry, pharmaceuticals.

- In May of 2003, the Food and Drug Administration (FDA) issued an alert to consumers that nearly 200,000 bottles of counterfeit Lipitor (a drug used to control high cholesterol levels) had made their way onto the market.
- The World Health Organization (WHO) estimates that counterfeit drugs account for ten percent of all pharmaceuticals. That number can rise to as high as 60% in developing countries. According to the WHO, 16% of counterfeit drugs contain the wrong ingredients, 17% contain incorrect amounts of the proper ingredients and 60% have no active ingredients whatsoever.
- In 2002, a New York County district attorney charged seven people and five companies in the US, China and India with selling counterfeit Viagra® over the Internet. Undercover

officers purchased over 25,000 pills. Some pills were smuggled into the U.S. in stereo speakers and stuffed toys. One supplier told the agents that he could supply 2.5 million tablets a month.

- On June 7, 2001, the chief of security for a major drug company (Novartis International AG) testified before a U.S. House Subcommittee that one counterfeit ring they uncovered produced “*millions of yellow tablets that were virtually indistinguishable from the genuine product.*” The fake tablets were “*made of boric acid, floor wax and lead-based yellow paint used for road markings.*”
- According to the Shenzhen Evening News (a Chinese government owned newspaper), approximately 192,000 people died in China in 2001 because of fake drugs. Since 2001, Johnson & Johnson has established 38 criminal cases against factories that copied its products in China. China is widely regarded as the world leader in terms of the manufacture and export of counterfeit products.

And finally, whilst INTERPOL and other national/multilateral agencies have historically identified linkages between organized crime groups and counterfeit goods, they are increasingly identifying that Intellectual Property Crime (IPC) is becoming the preferred method of funding for a number of terrorist groups. As listed on the INTERPOL web site ([www.interpol.int](http://www.interpol.int)), the links between IPC and terrorist financing can be categorized as follows:

- Direct involvement where the relevant terrorist group is implicated in the production, distribution or sale of counterfeit goods and remits a significant proportion of those funds for the activities of the group. Terrorist organizations with direct involvement include groups who resemble or behave more like organized criminal groups than traditional terrorist organizations. This is the case in Northern Ireland where paramilitary groups are engaged in crime activities. These crime activities include IPC. Involvement by these groups ranges from control or investment in manufacturing or fabrication to taxing the market stalls where counterfeit goods are sold. It is possible for illicit profit to be generated for terrorist groups at different points in the process.

- Indirect involvement where sympathizers or militants are involved in IPC and remit some of the funds, knowingly to terrorist groups via third parties. Terrorist organizations whose sympathizers are involved in IPC and who use some of the funds generated from this activity to support the terrorist group. In many cases the funding is further attenuated, involving unrecorded movements of cash via third parties. This seems to be the case with some groups like Hizbullah and the Salafi Group for Call and Combat.

Other specific examples of IPC and terrorist financing, again from the INTERPOL web site:

- Kosovo. [note: Kosovo, until early 2008 was a United Nations-administrated province of Serbia, and is now a quasi-independent state still protected by the U.N.]. A significant proportion of consumer goods, (CDs, DVDs, clothes, shoes, cigarettes and computer software) available for sale, are counterfeit. The sale of counterfeit goods occurs openly and there is limited enforcement against counterfeit products due to significant legal loopholes. There is a long-standing relationship between criminal organizations and local ethnic-Albanian extremist groups—[traditionally] based on family or social ties. It is suspected that funds generated from IPC benefit both criminal organizations and extremist groups.
- Chechen separatists. In 2000, a joint operation between Russian law-enforcement agencies and private industry resulted in the break-up of a CD manufacturing plant. According to the police officials involved, this counterfeit CD plant was a source of financing for Chechen separatists. The CD plant was run by Chechen organized crime which then remitted funds to Chechen rebels. The FSB (Russian Federal Security Service) estimated that the average monthly earnings of the criminal organization are estimated to have been US\$ 500,000 - 700,000. A number of explosives and arms were also confiscated by the police during raids on the residences of the suspects.
- North African radical fundamentalists terrorists in Europe. Sympathizers and militants of radical North African funda-

mentalist networks engage in a range of criminal activity including IPC. Sympathizers will indirectly pass a portion of the funds generated from their illicit activity to radical fundamentalist networks. The sympathizer passes money in the form of charitable giving or zakat (charitable giving based on a religious obligation in Islam) via Mosques, Imams or non-profit organizations that are sympathetic to radical fundamentalist causes. This money is eventually moved to the radical fundamentalist terrorist group. The transactions are predominantly cash-based leaving no paper trail or way of verifying the origin or final destination of the funds. In terms of radical fundamentalist militants, these persons may for long periods of time not be directly involved in terrorist activity. During these periods, while not on active service duty, they support themselves through criminal activity like IPC or credit card fraud. A portion of the money earned in these activities is kept while a portion is remitted to radical fundamentalist terrorist groups in cash form, in ways similar to the methods used by sympathizers.

- Al-Qaeda. In general al-Qaeda and affiliated groups benefit from funds raised by sympathizers. This may include funds originating in either licit or illicit activities. One estimate is that over a ten year period al-Qaeda received between US\$ 300 million and US\$ 500 million, averaging US\$ 30 to US\$ 50 million a year. According to the same source approximately 10% of spending went on operations while 90% was used to maintain the infrastructure of the network, including payments to other groups to support them or to increase al-Qaeda's influence in these regions. A further use of these funds was the payment of money to guarantee the protection of the group in Afghanistan or Sudan.
- Hizbullah. INTERPOL is aware of IPC-related activity and terrorist funding in South America in connection with Hizbullah. These cases involve ethnic-Lebanese who are involved in the remittance of funds to Hizbullah. As in the case of European radical fundamentalist groups, funds are thought to be indirectly remitted via 'cover' organisations associated with Hizbullah. INTERPOL finds that these persons are involved in the distribution and sale of counter-

feit goods, not in the manufacturing or fabrication of counterfeit goods. It is suspected that most counterfeit manufacturing and fabrication is dominated by organized crime.

From a purely economic perspective, it is certainly clear national and personal interests are substantially and equally benefited and at risk from wealth generated via intellectual property. Further, it is certainly clear the overwhelming majority of wealth generated via intellectual property is enjoyed by Western power states. From 2002 through 2004, eight of the top ten brands in the world were owned by American companies. In 2004, 25 of the 100 largest transnational corporations (TNCs) were American, whilst 53 originated from the E.U. and five companies from emerging economies of China, Hong Kong (China), Malaysia, the Republic of Korea and Singapore. Thus, it should also be clear that as the power states progressively advance the positive benefits of their wealth assets, they also assume wealth's negative counterpart, risk. Ever-increasingly, this risk emanates from organized corruption and even terrorism. Reflecting upon the parallel realizations that over 107 nation-states are failing, and that power states' nation-building exercises with their nearly exclusive focus on geopolitical objectives fail to prevent the rise of the gray markets and organized corruption networks within developing states—the unavoidable observation to be made here is intellectual property (the very product of our minds) is at the very core of the challenges now facing a decaying process of world order.

***Data/Information & Security.*** The degree to which commerce can be undertaken and value exchanged in a trusted environment has been, in the modern era, one of the standards by which a nation's wealth and stature are measured. The globalization of business, the proliferation of, and dependency on, technology that transcends geography, makes it even more vital that trusted and secure environments exist to both facilitate the exchange of value as well as to ensure sound and reliable security and privacy for those that participate in the exchange of value. As mentioned above, our 'digital footprint' is everywhere. The vulnerability of theft is not simply limited to the data in and of itself; our very identities are increasingly being stolen by criminals (individuals and organizations). Statistics are only recently being tabulated on this emerging area of crime, but one

early estimate by the U.S. Secret Service, which tracks major cases of identity theft, indicates that this type of crime was responsible for US\$ 745 million in losses in 1997, nearly US\$ 300 million more than the previous year (a 67% increase in only one year).

An information technology risk assessment, *Trends in IT Security Threats: 2007*, based on a survey of over 100 IT security and risk management professionals, was conducted by Computer Economics ([www.computereconomics.com](http://www.computereconomics.com)) in the fourth quarter of 2006. The survey assessed how IT professionals perceive the seriousness of 12 categories of information security threats and how these threat levels are changing. What follows is a summary of the major findings:

- Insider threats are the highest-ranking IT security concern. Insider misuse and unauthorized access by insiders are considered the top two IT security threats by our survey respondents.
- Spam follows closely behind insider threats as a category of concern. This may be attributed to the prevalence of spam, the fact that spam is highly visible to everyone in the organization, including executives, and that spam serves as a vector for many other types of attacks. The majority believe that the spam threat is increasing, not decreasing.
- In spite of advances in technology to fight malware--computer viruses, worms, trojans, adware, and spyware--malware still ranks highly in the list of concerns. There is significant variation between organizations in terms of the frequency of malicious code attacks, most likely due to variation in how well organizations defend against such security events.
- Unauthorized access by outsiders is ranked only slightly behind malware in terms of seriousness. It is quite possible, however, that in some organizations, hackers have obtained unauthorized access without the awareness of the organization. Hence, the number of hacking incidents is likely underreported in the statistics.
- Although many organizations are experienced in fighting electronic fraud, survey respondents rank fraud in the middle of the list of security concerns. These results most likely reflect the fact that many high-risk organizations, such as banks and financial institutions, believe that their

countermeasures are adequate to keep the level of fraud within acceptable levels.

- Most IT security professionals and managers do not view electronic vandalism/sabotage as a serious threat. Such computer crimes in the past were motivated by a desire to gain bragging rights among hackers, while today such acts are more likely to be motivated by a desire to get revenge, to make a political statement, to conduct cyber-terrorism, or to wage electronic warfare. The degree of concern about threats is largely dependent on whether the organization has experienced such an attack in the past.
- Extortion by electronic means ranks last in the list of IT security concerns. This is most likely because of the infrequency of such attempts. Therefore, it is not surprising that most IT security professionals do not consider extortion a serious threat. However, because most organizations shun this type of publicity, it is likely that respondents are underreporting the number of extortion attempts by cyber-criminals.

The ramifications of the above systemic indicators (the results of our actions) can be best understood by viewing the following day-to-day indicators (our actions):

- Enforcement of information security and even inter- and intra-organization communication relating to information technology misuse poses significant challenges. Recent high-profile e-mail, database, and Internet abuse scandals have prompted organizations throughout an increasing number of states to centrally address the legal risks of information security and IT misuse, but even merely communicating any remedying measures is still often an obstacle. A study conducted by the corporate compliance and security software firm PolicyMatter ([www.policymatter.com](http://www.policymatter.com)) of over 200 U.K. organizations with more than 250 employees, found that 87 percent of firms had initially implemented or revised their Acceptable Use Policy in the last twelve months. The primary drivers to implement an AUP, cited by 77 percent of respondents, was to reduce legal liability of the organization; 24 percent to protect the organization's reputation; 13 percent to avoid costly tribunals and 7 percent to

prevent IT damage. Only 1 percent of respondents considered reduced loss in productivity as a key benefit. But the study also revealed that hard copy documents were by far the most common means for deploying AUPs to employees. Forty-nine percent of organizations distributed individual policy documents to employees; whilst 33 percent included the AUPs within the organization's printed handbook. Of those organizations using electronic media as a policy distribution method, 14 percent utilized the firm's intranet, while just 4 percent utilized e-mail. Furthermore, 74 percent of organizations questioned believed that their distribution procedures were not adequate or effective enough to ensure that employees fully understood the AUP policies presented to them. As this single study of IT misuse clearly demonstrates, the day-to-day, on-the-ground execution of organizational operations must, in any given moment, be aware of and committed to, adequately trained for, and fulfill literally dozens or hundreds of individual policies impacting the internal operations of the organization as well as its external relations with the world. Which policies require priority over others? Is it the exclusive objective of an organization, in the case of a for-profit corporation, to earn ever-increasing profits for its shareholders, or in the case of a government public service, to ensure the delivery of that service to the public—at the expense of any other objective? With particular respect to the ever-expanding pools of electronic personal data, how does the conventional organization view (and enforce) information security objectives? Perhaps, a clue:

- To the view of many, the challenges of information security are simply and straightforwardly remedied by the deployment of technological measures. Better access control protocols, formal proofs of cryptographic protocols, more effective firewalls, better ways of detecting intrusions and malicious code, and better tools for system evaluation and assurance—these technological assets are certainly the technical means to mediate and protect information security. But there is also the realpolitik view that information security is vulnerable to irrational incentives inherent throughout

societies. Fundamental econometric processes relating to, as examples, network externalities of supply versus demand (impact on cost versus price), asymmetric investment models for technology acquisition (high up-front or fixed costs, but low marginal or operating costs on a volume basis), liability mitigation objectives, and even the Tragedy of the Commons <sup>44</sup> —these incentives also impact the challenges facing information security. In *Why Information Security is Hard: An Economic Perspective*, 2001, Ross Anderson of the University of Cambridge notes:

In a survey of fraud against autoteller machines, it was found that patterns of fraud depended on who was liable for them. In the USA, if a customer disputed a transaction, the onus was on the bank to prove that the customer was mistaken or lying; this gave US banks a motive to protect their systems properly. But in Britain, Norway and the Netherlands, the burden of proof lay on the customer: the bank was right unless the customer could prove it wrong. Since this was almost impossible, the banks in these countries became careless. Eventually, epidemics of fraud demolished their complacency. US banks, meanwhile, suffered much less fraud; although they actually spent less money on security than their European counterparts, they spent it more effectively. Medical payment systems that are paid for by insurers rather than by hospitals fail to protect patient privacy whenever this conflicts with the insurer's wish to collect information about its clients. In general, where the party who is in a position to protect a system is not the party who would suffer the results of security failure, then problems may be expected.

Highlighted in *Insider Threat Study: Illicit Cyber Activity*, 2008, Carnegie Mellon Software Engineering Institute, are brief examples of personal illicit actions in relation to information security. These incidents were all committed by 'insiders', individuals who were, or previously had been, authorized to use the information systems

---

44 **Tragedy of the Commons** refers to the undesired result of exploitation of others: a phenomenon in which individuals attempt to exploit the resources of a group, but in the end harm themselves because everyone adopts the same strategy and resources are uniformly depleted.

that they eventually employed to perpetrate harm. Insiders possess the obvious potential to pose a substantial threat by virtue of their knowledge of, and access to, employer systems and/or databases. These examples are likely to be found in almost any corporate setting anywhere on the planet—clearly demonstrating that our conventional belief that ‘markets are efficient’ is profoundly vulnerable to the ‘human element’.

- An employee of a company under contract to process health insurance claims defrauded his employers of millions of dollars by exploiting weaknesses in the design and implementation of the company’s business processes. The employee, who was responsible for claims processing, took advantage of the lack of oversight or two-person control for checking claims entered into the system to enable individuals involved in organized crime external to the organization to construct and submit fraudulent claims to be approved by the company. The scheme diverted nearly US\$ 20 million from the company to the insider and his accomplices.
- An employee of a telecommunications firm’s payroll department moved to a new position within the department in which she no longer would be required to have privileged access to payroll accounts. Upon switching positions, the employee’s access rights to the payroll accounts were left unchanged. An associate told her that he was starting up a financial services business and needed some contact information. Using the privileged access rights that she had retained, the employee provided her associate with confidential information for 1500 of the firm’s employees, including 401k account numbers, credit card account numbers, and social security numbers, which he then used to commit over 100 cases of identity theft. The insider’s actions caused over US\$ 1 million in damage to the company and its employees.
- A government agency employee and two colleagues conspired to reduce or eliminate the bills of certain property and business owners in return for fees. As an agency customer service representative, the insider had limited authority to cancel bills for legitimate reasons. However, when a supervisor went on sick leave for an extended period the insider obtained and began using the supervi-

sor's password and elevated access and authority to view and alter bills. When the insider was promoted to a position in another department wherein he no longer had access to the billing computers, he enlisted a low-level colleague from his former department to help him continue the scheme. A second colleague was brought into the scheme to recruit customers. The insider used his profits from the scheme to purchase the apartment building in which he was living. The scheme eventually was detected when a quality check found 32 bill alterations above a certain level without explanations. Suspicion also was drawn to the insider after an office manager reported seeing the insider at a computer terminal when he wasn't supposed to be there. Loss from the scheme was estimated to exceed US\$ 3 million.

***Impact on World Order.*** As the above snapshots of intellectual property and information security issues demonstrate, it is highly questionable that these emergent aspects of personal and state security—particularly within the context of international relations—can effectively be managed by the dynastic philosophies and tools of geopolitical world order intent on emphasizing global polarizations. The only avenue open to geopolitical systems is essentially the introduction of regulations and policies, which depending on the 'national interests' of any particular state, might or might not be adopted or even enforced. Indeed, the emergence of stateless information, communities, corporations, and culture fundamentally challenges the very nature and structure of the nation-state itself.

Within the power states, a clear majority of the economies are being comprised of new jobs created within extremely diverse and interdependent supply and service chains focused on mass market innovation, production, distribution, and consumption. The 'new economy' is thus directly attributed to, and dependent upon, the effective exploitation of our innovative minds. Paradoxically, this same new economy and each of our innovative minds are exceptionally vulnerable to intellectual property theft, corruption, and even theft of personal data and identities. As a direct consequence of the global expansion of the Internet, these assets of intellectual property are daily prey of the global and regional networks of organized corruption and even terrorism. Thus, increasingly, the national

interests of power states and their new economies include not only the global consumption of these intellectual property based goods and services, but also their global protection. Geopolitics, realistically, cannot provide that global protection. And even if those in positions of power within the institutions of geopolitics were to somehow create a new ‘grand strategy’ to assure global protections of intellectual property and information security—say, a ‘global war on knowledge protection’—they would simply be too late. The *stateless* economy is just that, *stateless*. It cannot be contained by regulation or even military power.

### *The Stateless Economy & Obtaining Critical Mass*

The geopolitical system—and its inherent logic—of world order is attempting to ‘catch-up’ to, and infiltrate itself around the progressively *stateless* nature of economics. At stake in the contest is nothing short of the politics of identity, territoriality, even environment. At the forefront of the *stateless* nature of economics is a core matrix of issues, including the transnationalization and collaborative stakeholder composition of innovation, production and consumption. The infamous spark that obviously ignited the astonishing rise of the *stateless* economy is the Internet—which some recognize as emerging into its second generation and are now calling it the ‘Hypernet’.

The collaboration process now enabled by Hypernet technologies is already driving the creation of new forms of organizations (corporate and social) which think and act using self-organization rather than hierarchy. Hierarchical organizations invariably are slow to respond to issues so as to continually protect the personal interests of those that occupy the hierarchy. Global markets, however, because the immeasurable inputs originating from multiple demographics, industries, communities, etc., increasingly place two types of pressure upon the corporate organization: (a) changes in the market now occur so rapidly that corporations need to respond in ‘real time’, which does not allow for hierarchical self-protectionism; and (b) because it is now the consumer which drives what and when goods and services are produced, the corporate relationship to the consumer is no longer of simple merchant, the corporation and the consumer are bound into a reciprocal relationship—which again

does not allow for hierarchical self-protectionism. Thus, to whom is a corporation loyal?

**Table 19 - Second-generation Internet: Hypernet**

	INTERNET	HYPERNET
Technology.....	Convergence ... common & enabling	Divergence ... interdependent webs...
Access.....	PCs, dial-up as needed	Smart devices, wireless, always on...
Scale.....	Millions of end-points	Billions of end-points
Penetration.....	Sporadic, intrusive	Ubiquitous
Computing Universe.....	Cyberspace	Physical space
Networks.....	Managed, hub-and-spoke	Ad-hoc, peer-to-peer
Information.....	Islands of data	Networks of data
Demographics.....	N. America, Europe & Asian-Pacific	Global, cosmopolitan

Source: Digital 4Sight Corporation

Self-organizing systems provide several advantages over hierarchical systems in certain circumstances. Firstly, they are more adept at managing complexity and handling anomalies and exceptions as a consequence of intelligence and decision-making power being distributed throughout the system, enabling innovation and production to occur organically. Even the rationale inherent to the act of power distribution vastly liberates the conventions of egoism and self-protectionism to the new conventions of market reciprocity and interdependence. Secondly, self-organizing systems are capable of defending against local failure: if one ‘node’ in the network fails, the system itself will not collapse. Finally, self-organizing systems are more scalable—they tend to grow exponentially rather than linearly, and thus freer to contract when needed. And as will be addressed in greater detail in Part 2, it is the very scalability of self-organizing systems (its *ad hoc* growth and contraction patterns) that confronts the labor force with a double-edged sword. On one hand, innovation and production is made more fluid and responsive to the market (the consumer), whilst on the other hand, the consumer (which is also the laborer) is subject to ‘boom and bust’ swings in the expansion/contraction of labor necessities. As Charles Leadbeater observes, modern economics is beginning to blur the line between corporations and society:

The way we organise ourselves in future will not just be an extension of the industrial era, corporate organisations we have become used to—Ford, Toyota, WalMart, Microsoft—with their hierarchy, targets, divisions, civil wars and myriad humiliations for workers and consumers alike. A growing band of organisations in the future will resurrect ancient ideas and meld them with new technology. One such resurrection is the idea of the “commons” a feature of village life for centuries: a common resource, like a wood or grazing land, held in loose, self-regulated shared ownership for villagers to graze their flocks on. The likes of Wikipedia and Linux organise their activities around a digital version of the commons. At least one part of our complicated future could be a peculiar mixture of the peasant and the geek, the pre-industrial and the post-industrial combined. That recipe, blending the interactive technologies of the Internet with the habits of the village, may be particularly potent in Asia, where over the next few decades hundreds of millions of people will leave villages to live in cities and connect with one another using mobile phones and computers. They will carry with them village habits and social networks that will combine with the latest wireless and mobile technologies.

New kinds of organisation will be born quite unlike those that grew up around railways, cars and steel, from Detroit to the English Midlands and the Rhineland. Thanks to low cost technology, more consumers can become producers at least some of the time. Good ideas will come from amateurs as well as professionals. Innovation will not just flow down a pipeline, from experts working in their labs and studios, to passive consumers waiting in the line. Innovation is a social, cumulative and collaborative activity; ideas will flow back up the pipeline from consumers and they will share them amongst themselves. That is why the next big thing will be us: our power to share and develop ideas, without having to rely on formal organisations to do it all for us.<sup>45</sup>

Even more exigent for global economics—and its labor-centric systems as one of the conventional basis of ‘national interest’ of states—is the notion that intelligent technology may sooner than later replace the need for human labor. In 1995, Jeremy Rifkin’s *The*

45 Charles Leadbeater, *We Think: why mass creativity is the next big thing*, 2006 ([www.wethinkthebook.net](http://www.wethinkthebook.net))

*End of Work: the Decline of the Global Labor Force and the Dawn of the Post-Market Era:*

The global economy is in the midst of a radical change in the nature of work, with profound consequences for the future of society. In the Industrial Age, mass human labor worked side by side with machines to produce basic goods and services. In the Age of Access, intelligent machines, in the form of computer software, robotics, nanotechnology, and biotechnology, increasingly replaced human labor in the agriculture, manufacturing, and service sectors. Farms, factories, and many white-collar service industries are quickly becoming automated. More and more physical and mental labor, from menial repetitive tasks to highly conceptual professional work, will be done by cheaper and more efficient thinking machines in the twenty-first century.

The cheapest workers in the world likely will be not as cheap as the technology coming online to replace them. By the middle decades of the twenty-first century, the commercial sphere will have the technological wherewithal and organizational capacity to provide goods and basic services for an expanding human population using a fraction of the workforce presently employed. Perhaps as little as 5 percent of the adult population will be needed to manage and operate the traditional industrial sphere by the year 2050. Near-workerless farms, factories, and offices will be the norm in every country.

Few of the CEOs I talk to believe that mass amounts of human labor will be needed to produce conventional goods and services fifty years from now. Virtually all believe that intelligent technology will be the workforce of the future.

Consequently—whether due to the global use of the Hypernet and self-organization processes or the consistent decline in the necessity of human labor—world order will increasingly and inescapably feel the burdens and tensions caused by the stateless economy. The very nature of stateless economic markets essentially precludes a geopolitical system of balancing power between states to continue, much less secure world order. Bearing in mind the above observations relating to the astonishing evolutions of modern economics, a critical weakness of the geopolitical-centric

process of nation-building is that neither the International Community nor the governments of developing states give specific focus to either (a) timely adapting their developmental models to meet the ever-changing needs of the market (in the main, the developmental models used in one nation-building exercise are simply recycled in other exercises); and (b) from these adaptive models, establishing tangible and quantifiable processes to evolve and ultimately merge the developing state's economy into the global markets, capable of competition. What follows is only a brief snapshot of illustrative examples taken from the case study of Bosnia-Herzegovina which clarifies why a 'dynamic' knowledge-economy focused process of economic development is vital to implement, yet still is disregarded by the nation-building process.

***In Modern Markets, Export is Imperative to Stabilize Currencies.***

The first fundamental principle of modern economics which is an absolute imperative: move toward balanced trade so that currencies remain stable, hedging inflation/deflation. Simply, this normally translates to increasing exports so as to create a solid foundation of foreign currency reserves. As Table 20 demonstrates, however, Bosnia-Herzegovina continues to amass deficits in its trade balance—due almost entirely to the fact that nearly 81% of the state's GDP is comprised of imports and 96% of 'merchandise trade' (trade of finished goods, rather than production of or value-added to goods and services).

**Table 20 - Bosnia's Substantial Trade Deficit (in % of GDP)**

	2000	2005
Exports	31.3	36.3
Imports	82.3	80.9
Merchandise Trade	82.7	95.9

Beyond the statistics, however, a substantial lack of understanding exists within Bosnia-Herzegovina regarding even the logic to export. Since 1996, a range of internationals who have participated in various meetings and presentations regarding general economic reform objectives are consistently surprised to hear from Bosnians their opinion that export is not an important objective for

the country. An overwhelming majority of Bosnian leaders—business, academic, and political—with whom were consulted over the course of the 9-year case study, still adhere to the essential economic culture inherent to socialist economies: in short, that the Bosnian governments should be prepared to either provide subsidies for produced goods, or even better, to simply purchase the goods directly from the individual producers, and let the government worry about such mundane responsibilities as export. As a consequence to this serious lack of understanding of the market economy export process, it is not surprising that Bosnian companies lack real experience in exporting on a competitive basis. No matter what internationally-imposed economic reforms the Bosnia-Herzegovina government may finally accept, the ability to translate the logic or philosophies (much less the actionable strategies) of these reforms throughout the private sector is simply not being considered within the nation-building process.

In many ways, the economic transition from planned to market economies within Bosnia-Herzegovina is similar to what the U.S. defense industry experienced immediately after the end of the Cold War. Many of the defense industry corporations were then ill-prepared to develop and market goods and services applicable to the commercial sector, and consequently post-Cold War ‘defense conversion’ was initially met with a great deal of resistance. This author worked with various U.S. Congressional offices to draft federal and state legislation focused on defense conversion. House of Representatives Bill 101, 1989, as an example, facilitated the economic adjustment of communities, industries, and workers to reductions or realignments in defense or aerospace contracts, military facilities, and arms export, etc. Through specific and diverse networks of federal, state, and local defense conversion programs, the U.S. established an objective to ‘engineer’ an economic transition of those connected to defense industry to a more commercial-centric economy. In short, Bosnia-Herzegovina requires a similar type of planning and transitional engineering mechanism.

***In Modern Markets, Innovation is Imperative to Increase Exports.***

The research and development sector and education as a whole plays an increasing role in the self-sustainability of the OECD region. The number of researchers in the business and higher education sectors

has increased substantially between 1981 and 2001 (49% and 70%, respectively). R&D in the engineering and natural sciences possess the highest growth rates (23% and 17%, respectively), whilst non-science and technology R&D dramatically *decreased* by 22%. But it is important to also view knowledge and innovation capacity in perspective of the types of jobs being created throughout modern economies. During the past 20 years, the skills needed to succeed in the work-place have changed significantly. Technical skills remain important, but increasingly, employers recognize that a more cognitive set of skills are crucial to a worker's ability to work 'smarter, not harder.'

- *Knowing how to learn*
- *Competence in reading, writing, and computation*
- *Effective listening and oral communication skills*
- *Adaptability through creative thinking and problem solving*
- *Personal management instilling initiative*
- *Interpersonal skills*
- *The ability to work in teams or groups*
- *Leadership effectiveness*

These 'smarter' skills, once reserved for those in management, are now considered necessary for individuals at all levels of employment.<sup>46</sup> These 'smarter' skills are required for organizations to adopt new forms of organization and management in which workers operate in teams with greater autonomy and accountability.<sup>47</sup>

Throughout Bosnia-Herzegovina (and much of the developing world), however, university research laboratories are virtually non-existent, and private corporate research and development even more scarce. University post-graduate students are most often forced to complete large portions of their research in foreign laboratories, the costs associated with this temporary migration is often financed by the International Community. The education sector, like all other sectors within a developing state is exceptionally vulnerable to corruption influences and even political peonage. As a brief example: in a bid to sell Slovenian library management software to Bosnian libraries, the Slovenian government attempted to financially support Bosnia's academic research network, but the Bosnian's spent

46 Clagett 1997

47 *21st century Skills for 21st century Jobs*, 1999

over 50% of the donated funds on hand-made furniture, whilst none of the funds were spent on developing multi-institutional collaborative research and development programs.<sup>48</sup> Neither the Bosnian nor International communities have ever attempted to create a database of either research laboratory facilities and equipment or research talent that exists in Bosnia. Even though vast sums of empirical data and global experience with respect to the central role that innovation plays in the stability and sustainability of any national economy, neither the International nor Bosnian communities have appropriated any resources at all to develop this vital sector.

Modern transnationalized and knowledge-based economies require workforce skills sets capable of integrating creativity, self-initiative, and team dynamics skills—none of which are yet being taught to future Bosnian laborers, managers, or even educators. In very broad terms, a modern economy workforce is comprised of professionals (20%), skilled labor (60%), and unskilled labor (20%). Table 21 compares Bosnia-Herzegovina to the average OECD benchmarks for education attainment levels.

**Table 21 - Capacity of the Bosnian workforce**<sup>49</sup>

Qualification	Federation entity	Republika Srpska entity	OECD Average
Not qualified workers	38%	31%	10%
Semi skilled workers	5%	3%	35%
Skilled workers	35%	38%	55%
Secondary school	20%	25%	30%
Two-year diploma	1%	1%	20%
University degree	1%	1%	50%

Rapid global growth in producer services, in particular business services which use new technologies and have high proportions of skilled workers, suggests that if this sub-sector is to ever be an engine of employment growth within developing states, it will be essential to avoid skill bottlenecks, for ICT specialists in partic-

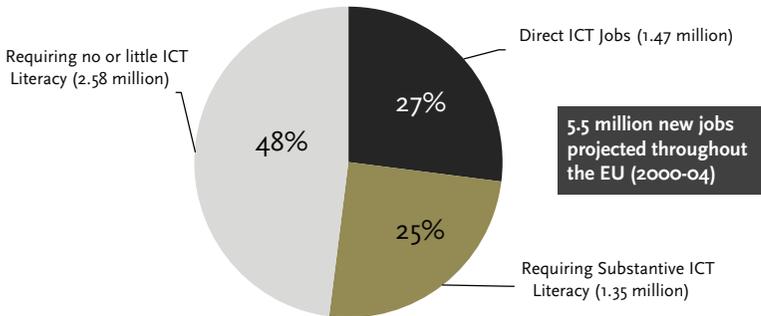
<sup>48</sup> *Bosnia and Herzegovina Academic Research Network (BIHARNET) Overview: Present Status of the Organization and Options for the Future To Bridge the Digital Divide and BIHARNET Interim Status Report, 2000*, Michael Byrnes

<sup>49</sup> Compiled: BiH Ministry for Foreign Trade and Economic Relations and OECD

ular (Table 22). Visibly, the shift of employment towards services increases the premium on higher levels of formal education. Additionally, there has been a concerted effort to focus on reorganization of work within the firms themselves.

Over the last decade or so, companies in most OECD countries have been engaged in a process of redesigning jobs and restructuring the delegation of responsibility. The reorganization of work can generally be quantified as possessing the following central components: (a) a re-orientation from mass production to flexible working (flexible specialization); (b) increased use of team work and job rotation; (c) job design involving multi-skilling and multi-tasking; (d) the decentralization of decision-making with “cluster-driven” and less hierarchical organization; and (e) greater employee-participation in decision-making.

Table 22 - 52% of new jobs in EU will require ICT skills <sup>50</sup>



Whilst the nation-building process attempts to impose upon developing states such as Bosnia-Herzegovina bureaucratic and policy components of education reform, the actual *curricula* necessary for the generation of innovation, the development of higher skill-sets, the increase of exports, and the preparation for global market competition are being neglected. The curriculum focused on information and communication technologies (ICT) as taught by Sarajevo University simply cannot be compared to ICT curricula within the more fully developed economies. The Sarajevo University

<sup>50</sup> International Cooperation Europe Ltd, 2001

ICT curriculum places its priority focus on technology (93%) and organization process (7%); whereas curricula found within developed economies place priority focus on organization process (77%) and technology (23%). Table 23 compares a listing of courses between the two types of markets.

As should be evident by comparing ICT curricula between Sarajevo University and the developed states shown in Table 23, education curricula are not likely to be significantly modernized unless and until the market actually demands 21st century knowledge and skill sets. As Plato famously commented, “*The true creator is necessity, which is the mother of invention*”. Bosnia-Herzegovina, like most developing states, is at credible risk from intellectual (and hence, economic) isolation from global markets. If developing states fail to develop a credible wage base for their present and future labor force, the already serious brain drain already apparent to these states can only escalate. And organized crime then becomes the sole remaining option for economic stability. In their present levels of maturity, the economic markets of developing states—particularly as long as the gray markets are allowed to grow and fester—will simply not demand these knowledge and skill sets. Indeed, the introduction of these knowledge and skill sets would actually threaten the gray markets.

Thus, the only manner in which these knowledge and skill sets would be in market demand within developing states would be from a rapid *en bloc* introduction of international production systems focused on value-chain implementation within a critical mass of economic interdependencies. Part 2 shall explore how this *en bloc* critical mass can be achieved.

**Table 23 - ICT Curricula–Market Comparisons in Sample Courses**

Sarajevo University	Developed States
<ul style="list-style-type: none"> <li>• Mathematics</li> <li>• Electrical Engineering</li> <li>• Computer Science</li> <li>• Physics</li> </ul>	<ul style="list-style-type: none"> <li>• Information Organization and Retrieval</li> <li>• Information Users and Society</li> <li>• Distributed Computing Applications and Infrastructure</li> <li>• Analysis of Information Organizations &amp; Systems</li> </ul>

Sarajevo University	Developed States
<ul style="list-style-type: none"> <li>• Electronics</li> <li>• Programming &amp; Programming Languages</li> <li>• Program Organization &amp; Operating Systems</li> <li>• Algorithms</li> <li>• System Theory</li> <li>• Digital Computers</li> <li>• Computer Graphics and Man-Machine Interaction</li> <li>• Data Structures &amp; Data Bases</li> <li>• Information Systems</li> <li>• Artificial Intelligence &amp; Expert Systems</li> <li>• Computer Communications and Networks</li> <li>• Software Engineering</li> <li>• Information System Design</li> <li>• Computer Architecture</li> </ul>	<ul style="list-style-type: none"> <li>• Group and Organizational Approaches to Information System Use</li> <li>• Information in Society</li> <li>• User Interface Design and Development</li> <li>• Needs and Usability Assessment</li> <li>• Privacy, Security, and Cryptography</li> <li>• Management of Information Systems &amp; Services</li> <li>• Information Policy</li> <li>• Strategic Computing and Communications Technology</li> <li>• Economic Methods for Decision Making</li> <li>• Economics of Information</li> <li>• Legal Issues in Information Management</li> <li>• Intellectual Property</li> <li>• Principles of Information Retrieval</li> <li>• Organization of Information in Collections</li> <li>• Information Visualization and Presentation</li> <li>• Quantitative &amp; Qualitative Research Methods for Information Mgmt</li> <li>• Organization and Representation of Information</li> </ul>

Source: Compiled by the author; data from Sarajevo University and OECD.

***In Modern Markets, Livelihood is Vulnerable to Multiple Risks.***

Globalization—in this transitory phase between nation-state interests and statelessness—is increasingly being demonized by the general public of both power states and the hinge/fringe states. Mass public demonstrations are increasing in global reach and pitch with respect to *outsourcing* (exploiting cheap labor in foreign markets), *immigration* (again, the importing of cheap labor, but additionally involving issues of societal integration within the fabric of the host state), *energy security*. These often contentious issues are beginning

to substantially impact the domestic societies of the power states themselves, sometimes contributing to demonstrable civil unrest and dramatic shifts in the political landscape. So not only is there a growing risk of inter-state conflicts, intra-state tensions are also beginning to be felt. These tensions, then, will increasingly lead to a retraction of economic globalization, and even to populist-based isolationism. As is already evident in world affairs today, when the specific aspects of *energy and economic security* is considered with respect to *national interests and economic security*, it should be quite visible that global markets and societies may increasingly feel obliged to not only protect their own markets and even isolate themselves from other more volatile markets, the power states could very well attempt to protect their markets via militaristic means. This would most certainly add an almost unbearable strain to the already tenuous fabric of world order. Further, the tensions are not exclusively between the power states and hinge/fringe states. Tensions are already visible between the power states themselves as specific industries in specific markets become more competitive. An example of this, as reported on the front page of the *Financial Times*, March 3, 2008:

#### **US anger at award of defence contract to EADS**

Senior US politicians lashed out at the decision to award EADS, the European defence group, a US\$ 35 billion contract to supply refueling tankers to the air force instead of American rival Boeing. Members of Congress were outraged that such a crucial military contract should be awarded to an overseas contractor. The decision threatens to add fuel to mounting protectionist sentiment in the US amid concern about the slowing economy and shrinking manufacturing workforce. "It's stunning to me that we would outsource the production of these airplanes to Europe instead of building them in America," said Sam Brownback, Republican senator for Kansas, where Boeing has a site. "I'll be calling on the secretary of defence for a full debriefing."

Geopolitics can never be successful in its near single-mindedness to impose a democratization processes upon hinge/fringe states to the degree that intellectual property based goods and services innovated primarily by the power states (and the electronic

data of personal/corporate identities as well as the electronic movement of funds) can be both protected and consumed by hinge/fringe states. Only when they, too, can effectively participate in the innovation and trade revenues of these modern goods, services, and data, will the hinge/fringe states be sincerely committed to protect and consume these assets of the knowledge economy. Thus, it seems rational to observe that unless and until the processes and institutions of world order are capable to effectively facilitate the development and growth of sustainable intellectual property based wealth generation, corruption and extremism will essentially cancel out any gains made by imposing the grand strategy of democratization upon hinge/fringe states.

Certainly, all states possess inherent human assets of intellectual capacity and even exceptional diversity of creativity and cultural identity that can, at some stage, only add value to the global chains of intellectual property based goods, services, and data. However, in their present stages of social, economic, and political development, the vast majority of hinge/fringe states are capable to neither innovate nor even consume a vast percentage of these intellectual property based goods, services, and data (and thus, conscientiously adopt and adapt to the essential principles of democracy and the rule of law). The hinge/fringe states in particular lack understanding and experience relating to how multiple layers of technologies and processes integrate together originating from diverse aspects of vertical and horizontal markets. And centrally, they possess little experience in establishing, managing, and retaining global relationships with modern business leadership as well as the investment community in general. The very basis to a modern knowledge-based consumer economy is that a quantifiable 'critical mass' of goods and services become interdependent upon each other so as the market—as a whole and all its constituent actors—is made competitive.

A brief example of this critical mass interdependency: a global retail chain not only is dependent upon the distributor and manufacturer possessing effective communications and logistics systems (so that inventories can be effectively managed, and thus, customer bases gained and retained)—but the retailer is also dependent upon an effective electronic banking system so that customers can effectively purchase with a wide range of credit cards the various goods and services provided by the retailer. These stakeholders, in turn,

are dependent upon an effective and stable Internet and telecommunications infrastructure. The stability of these infrastructures is then dependent upon ISPs and computer systems integrators who possess both skills and experience to not only react to problems, but who can also foresee and possibly prevent problems before they materialize. In turn, the ISPs and computer systems integrators are dependent upon computer hardware and software providers which market these technologies at accessible prices. All of these interdependent links are necessary to merely purchase a single item of clothing from a modern, globally competitive retailer. Within hinge/fringe states, retail trade still possesses the long outdated business culture of merely 'offering to the consumer what happens to be in the store that day.' The gaps in business culture, experience, and critical mass interdependency is what largely prevents sustainable economic growth to occur within the hinge/fringe states.

Consequently, if the hinge/fringe states were to somehow be sincerely committed to establish, manage, and maintain these modern and global relationships and critical mass interdependencies, essentially they quickly find that little support exists within the power states to provide hinge/fringe states both substantive access to modern economic knowledge as well as tangible assistance so as to reach some definable level of global market competitiveness. Within the outdated rubric of the International Community's 'nation-building' process, the attention of the power states is almost exclusively focused on democratization—wrongly espousing the view that democratization will provide hinge/fringe states an 'enabling environment' for economic development.

Within the polarizing logics of geopolitical balancing of power, the national interests of power states have been traditionally focused on larger corporate trade issues, rather than establishing a focus to support the complex and diverse requisites of the large-corporate-SME interdependent stakeholders (the joint enablers of a knowledge-based economy). Power states are quite happy to facilitate multi-hundred-million dollar deals with hinge/fringe states (again, utilizing the 800-pound gorilla of the World Bank and IMF) because the deals tend to mainly benefit consumers in power states with increased access to cheap goods—but they essentially find themselves astray without a roadmap when it comes to the matter of establishing deals with and multilateral support to SMEs. The big

deals rarely provide sustainability to the hinge/fringe states due to the fact that the big deals internally only benefit the controlling elites—whereas if SMEs from hinge/fringe states were to establish more opportunities and relationships with global partners and customers, a multitude of new jobs would be more quickly created and these new wealth stakeholders would have a more powerful voice in their governments. As a direct consequence to the strategic growth of the transnational SME sector within hinge/fringe states, it is a more rational view that economic development will be the stronger ‘enabling environment’ for democratic values to first be consciously and tangibly relevant to society, and thus, become institutionalized for the direct purpose of sustaining society’s growing wealth generation capacities.

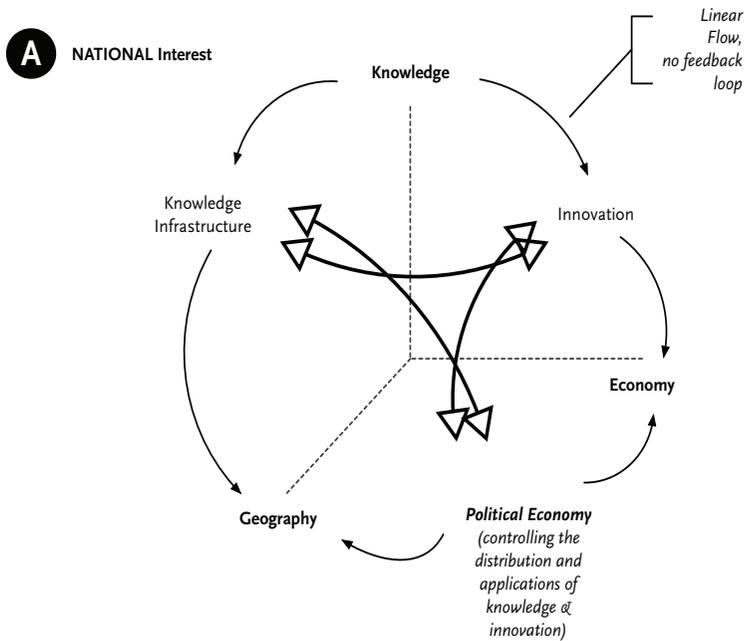
As it stands now, however, the power states have possessed little national interest to actually assist hinge/fringe states to reach a level of global competitiveness. Thus, the perilous nexus continues to grow between hinge/fringe state governments, economic stagnation, organized corruption networks, civil unrest, militant extremism, inter-ethnic and sectarian conflict, and global terrorism. The economic gaps continue to widen. Polarization continues to not only divide, but also to threaten global market security. Throughout various regions in the world, such as much of the Balkans states, global market players still regard these states and their markets as ‘pariah states’—and thus, organized corruption networks continue to vociferously fill the vacuum of socioeconomic development, making these pariah states all the more outcast. Particularly in regions such as the Middle East, where global markets have essentially been limited to the exploitation of oil and gas, there is now a growing risk for the establishment of a new nuclear arms race.

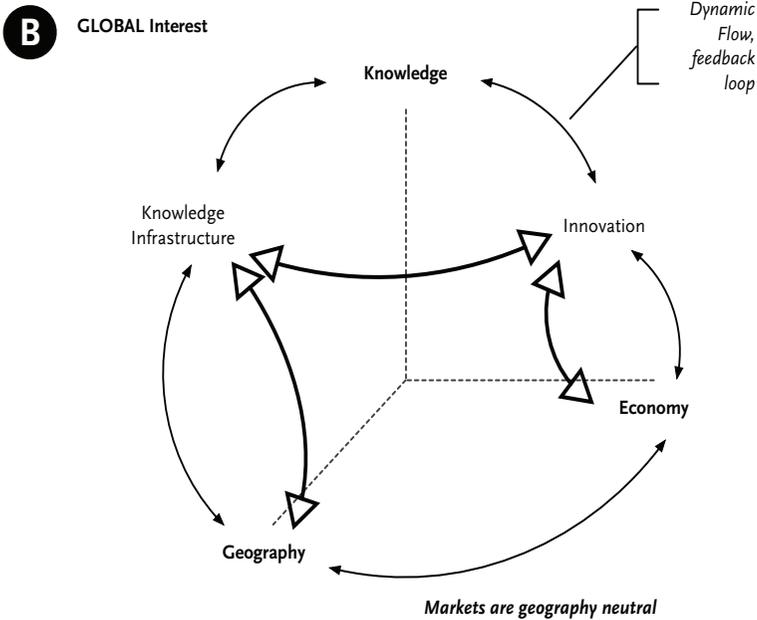
When human, technological, and economic capital are focused to the expansions of nuclear brinkmanship, history has clearly demonstrated that military spending may, for only a limited time, be “good for the economy”. The remaining essence of society, however, is left to decay. And so, too, world order. And now, partly as a consequence of unstable energy markets (which, in and of itself, is as a consequence of inter-ethnic tensions and geopolitical polarization buttressed against limited non-renewable resources and refining capacities), and partly as a consequence of labor tensions with respect to outsourcing and immigration, the *innovative/diverse* economies of

the power states are now exposed as being quite fragile, increasingly vulnerable to world events and the ineffective processes of world order. Thus, the conundrum: why should power states (who, themselves, are struggling to compete) assist hinge/fringe states to more effectively compete in the marketplace? Logic would dictate that power states, consciously or sub-consciously, would be exceptionally reluctant to invite new competition.

Consequently, as the following Figure 6 [A this page, B next page] illustrates, the very processes of how knowledge and innovation enter the economic markets are increasingly shifting away from ‘national interests’ of political economies to ‘global interests’ of stateless economies. Inextricably, the geopolitical system of world order will either be forced to enter into combat with these evolutions, or finally relent to the ending of its dynasty.

Figure 6 - Divergent Interests: State [A] versus Global [B, next page]





### *From The Wealth of Nations to the Interdependency of Individuals*

The present economic paradigm of ‘free-market’ capitalism has been shaped by evolutionary currents of civilizations, just as Nature is shaped by the currents of time and the elements. In very broad terms, the economic philosophies and systems of the modern era (industrial age to present) have been influenced by three schools of thought:

First—just as monarchies of the age were in decline and representative governments in ascendancy—Adam Smith (*The Wealth of Nations*, 1776) provided the impetus to the global systemization of ‘national economies’. In so doing, he advanced two specific principles which profoundly altered the relationships between governments, industry, and society in general:

- The Macro View: Capital is best employed for the production and distribution of wealth under conditions of governmental noninterference, or *laissez-faire*, and free trade. The

production and exchange of goods can be stimulated, and a consequent rise in the general standard of living attained for the nation's citizenry, only through the efficient operations of private industrial and commercial entrepreneurs acting with a minimum of regulation and control by governments. Smith asserted the principle of the "invisible hand": every individual in pursuing his or her own good is led, as if by an invisible hand, to achieve the best good for the nation as a whole. Therefore any interference with free competition by government is almost certain to be injurious to both the nations and its citizens.

- The Micro View: The greatest improvement in the productive powers of labor, and the greater part of the skill, dexterity, and judgment with which it is anywhere directed, or applied, seem to have been the effects of the division of labor. There are two particular aspects to Smith's 'division of labor' observation: (a) by allowing labor to specialize in specific activities, any individual specialist would require less time to perform a specific function along the production line, then pass the product to the next waiting specialist, which again, requires less time to perform a specialized function, etc.—thus, productivity (and consequently, profits) will rise due to a more efficient use of time and labor, and (b) specialization will breed variety throughout the workforce, and variety provides the best opportunity for a nation-state to weather invariable boom and bust swings in the market.

Second, John Maynard Keynes (*The General Theory of Employment, Interest, and Money*, 1936), somewhat reversed the notion of *laissez-faire*, government non-intervention in the affairs of the economic market, by advocating a greater role for government intervention in the market, particularly in addressing the tragic and overwhelming needs of the mass unemployed following World War I. Keynes' motives for this view are complex, but in the main, are centered on the following:

- Keynes served as the British treasury delegate at the post World War I Paris Peace Conference held in Versailles beginning January 18, 1919. Although he was hand-picked

by then British Prime Minister David Lloyd George, Keynes was adamantly opposed to British (and Allied) policy being written into the Treaty of Versailles which were placing so many demands on reparation that, in his view, were highly impractical, and even enforcement of the reparation process would lead to the economic ruin of both Germany and Europe as a whole. He ultimately resigned his position and published *The Economic Consequences of the Peace* (1919), in which Keynes correctly predicted that the staggering reparations levied against Germany would goad that country into economic nationalism and a resurgence of militarism. As an aside, the principle of national self-determination was first proclaimed by Woodrow Wilson at the 1919 Paris Peace Conference, but it soon became clear that this national right ('might makes right') could and would be soon extended beyond nationalism and to ethno-cultural, even individualistic self-determination, and this pragmatically troubled policy-makers of the day. Robert Lansing, U.S. Secretary of State, as an example, recalled his concerns:

*The more I think about the President's declaration as to the right of self-determination, the more convinced I am of the danger of putting such ideas into the minds of certain races. It is bound to be the basis of impossible demands on the Peace Conference and create trouble in many lands. What effect will it have on the Irish, the Indians, the Egyptians, and the nationalists among the Boers? Will it not breed discontent, disorder and rebellion? Will not the Mohammedans of Syria and Palestine and possibly Morocco and Tripoli rely on it?*<sup>51</sup>

- Keynes observed that European and U.S. governments, after World War I, were insistent on imposing various moralistic objectives upon the vanquished and throughout the world, rather than simply encouraging economic prosperity. He, with exceptional clarity, identified that focus on poverty was not only misunderstanding human civilization, but that 'poverty reduction' schemes were actually counterproductive to market economics and nation-state security. Focus on prosperity, on the other hand, would make the notion of

---

51 *The Peace Negotiations: A Personal Narrative*, Robert Lansing, 1921

poverty redundant. As another aside, it is also interesting to observe that national governments and multilateral institutions such as the United Nations, the World Bank, etc., all place their focus on this old horse of poverty reduction. Still today, governments the world over simply do not possess the capacity to focus on generating prosperity.

- Keynes finally altered the course of history when he published *The General Theory of Employment, Interest, and Money*, which essentially provided a ‘system’ into which his views could be implemented, and governments could easily adopt. The foundations of this ‘system’ were (a) the observation that no self-correcting mechanism to lift an economy out of a depression existed; and (b) aggregate demand in the market was vital to establish, meaning that the most important element of securing mass employment on a national scale was for market demand to be of equal mass. Since the public, in and of itself, could not create mass demand in a short time scale, governments would be required to step in and help to create aggregate demand. Debts initially incurred by governments would consequently be reimbursed by new tax revenues generated by the market as whole. Resultantly, U.S. and European governments rapidly embraced the use of such government intervention in the market, propelling massive public works projects and welfare programs into the fore. In August 1941, in preparation for post World War II reconstruction, and ever mindful of the economic and social consequences of unemployment, Keynes drafted a plan for an international organization to be called a “Clearing Union” — so as to establish better order in international monetary relations and make it possible for nations to avoid the deflations and restrictions that had been endemic in the period between the two world wars. Many features of his plan were embodied in the articles of agreement of the International Monetary Fund after the war. In 1944, Keynes headed the British delegation to the Bretton Woods Conference (popular name of the United Nations Monetary and Financial Conference that took place July 1-22, 1944, at Bretton Woods, New Hampshire). There, he played a considerable part in the planning and adoption of the Inter-

national Bank for Reconstruction and Development (World Bank) and the International Monetary Fund (particularly the notion of national economic development vis-à-vis debt-based finance).

Milton Friedman (1912-2006) again devolved the government's prominence in the affairs of economic markets by advancing the economic theory that free-market forces, rather than increased government intervention, can most effectively produce a balanced and noninflationary rate of economic growth. He was a leading figure for the argument that the Federal Reserve System can best promote economic stability by increasing the supply of money at a fairly fixed rate instead of sharply expanding or contracting it; this is generally known as money supply theory or monetarism. Interestingly, Friedman's views were aggressively accepted and exploited by two political conservatives of the Cold War era, U.S. President Ronald Reagan and British Prime Minister Margaret Thatcher. What was generally referred to as *Supply-Side Economics*, was the belief that the key to economic growth and prosperity is ensuring availability of capital and freedom of entrepreneurship, and that government need not be concerned with stimulating the demand for goods and services (other than vis-à-vis the military-industrial complex).

In practical terms, this meant that industry should be free to reinvest its profits into providing even more supply, which would stimulate increased demand, more profits, which again, stimulate more supply, which again, stimulates more demand, etc. Tax revenues to operate a minimal government, therefore, would be generated in the main from a percentage of employment salaries and sales taxes. In short, supply in and of itself would stimulate demand, rather than demand stimulate supply. It should also be patently obvious that it was largely the elites of industry which were relieved of the significant burdens of taxation—free to produce whatever they desired, no matter its utility to or demand from the market—whilst the individual laborer and consumer were forced to bear the larger burdens of taxation. Many throughout Western societies have come to identify this supply-side system and its asymmetrical application of taxation burden as being overtly negligent of social welfare, excessively dependent upon revenues generated via the military-industrial complex, and because of its often secreted rela-

tionships to the military-industrial complex, protected from market and social accountability—and thus tend to label ‘free-market’ non-interventionism and supply-side taxation policy as ‘conservative’. Some actually go so far as labeling these systems as essentially purporting the precepts of *social Darwinism* (the idea that humans, equal to animals and plants, compete in a struggle for existence in which natural selection results in “survival of the fittest”).

It should be noted that a much more nuanced understanding of liberalism was explored in Isaiah Berlin’s seminal work: *Two Concepts of Liberty*, 1958. *Positive liberty*, according to Berlin, is freedom *from* any form of tyranny; whilst *negative liberty* is freedom for the individual *to* do what he/she desires as long as it does not infringe upon someone else’s expression of liberty. These are very subtle and complex philosophical concepts—and it is the intention of this author to elaborate on this complex theme in a future writing.

Consequently, these three schools of philosophical and economic thought have propelled both Western and non-Western civilizations down the mighty rivers of government non-interventionism, interventionism on a grand scale, and back again to the shores of non-interventionism. Each school of thought may very well have been fitting for the age. But ages inextricably evolve. Thus, it is important to place into clear perspective the evolutionary currents now shaping not only civilizations—but all individuals. Undeniably, Robert Lansing’s predictions have finally come true; self-determinism has indeed spread into the uncontrollable fathoms of all peoples and their sovereign minds. Three and a half centuries ago, the Westphalia Order’s defining declaration of sovereignty for nations is now, by its very inheritors living in this modern age, being muted by the tidal wave of individual sovereignty. Indeed, the charter of the United Nations specifically recognizes the sovereignty of only nations, not peoples. The following two diagrams illustrate the shifting landscape of the balance of power as caused by the shifting of economic market activity.

.....

Figure 7 - Westminster Model (Strong Bully Pulpit)

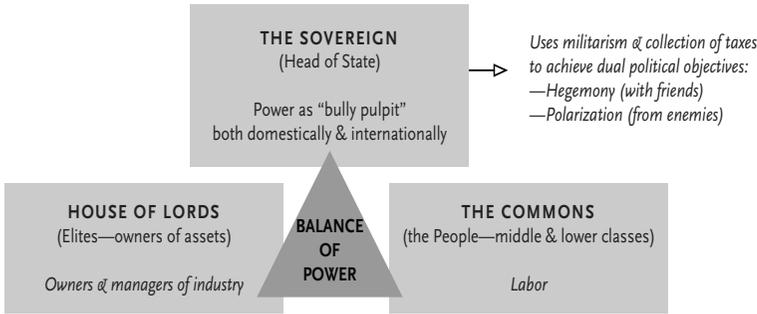
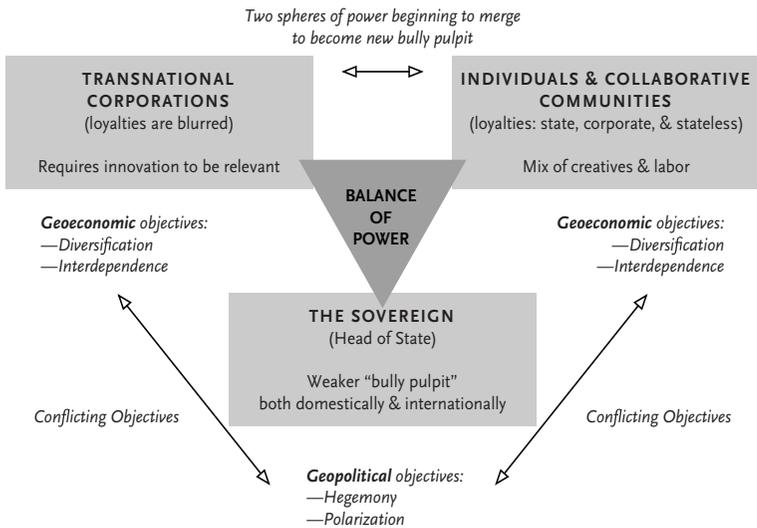


Figure 8 - Globalization & Stateless Model (Weak Bully Pulpit)



Within the scope of international relations, geopolitical world order, and even nation-building—all still operating under the Westphalia Order—it might be an appropriate observation that the world’s major industrial states (again, the power, or in modern terms the *innovative-diverse* states) aggressively utilize the precepts of Friedman’s non-interventionism within the context of internal national policies, whilst, equally aggressively, utilizing Keynes’

interventionism precepts within the context of international relations. Certainly, this double standard cannot be sustained. Inexorably, like the sure passing of seasons, the moment-to-moment revolutions now occurring within the astonishing spread of *We-Think*, self-organization, collaborative innovation, and stateless economies, are again forcing governments the world over to revise their systems dedicated to protecting the wealth of nations. But is it too late for governments to even attempt to devise some new post Smith-Keynes-Friedman system? Has the deeper yearning for individual sovereignty—and interdependence between individuals—finally found both the voice and tools sure to bring to an end the spent dynasty of the Westphalia Order? Finally, if a fundamental transformation of the world ordering system is unavoidable or even imperative, how is the transformation to occur without endangering the security of civilization and culture?

#### **4. A Decaying Dynasty & Ascending Revolution**

##### *Evolving Nature of 'Sovereignty': A Systems View*

The concept of national economies being organized or otherwise contained within fixed and sovereign borders defined by national interests and nationalistic intent is rapidly being challenged by the astonishing emergence of stateless economies. The dawning realization that individualistic self-determinism and *ad hoc* communities possess a self-evident nature in and of itself is now forcing global civilizations to contemplate and advance either the measured evolution or abrupt revolution of international relations and world order. This section views a series of challenges, even threats, to global security within two particular spheres of observation: socioeconomic consequences of and material constraints to stateless sovereignty. Depending on how global civilizations cope with their seemingly inevitable transition to statelessness—and due almost entirely to the very anarchic nature of an infinite number of minds and values inherent in the act of innovation—world order is closer than ever before to imminent collapse. We now stand at the threshold.

**Sociopolitical Consequences.** Definitions of economics have evolved over time to include human activity, advocating a shift toward the modern view of economics as a study of man and of human welfare, not only of money. Alfred Marshall in his 1890 work *Principles of Economics* wrote, “*Political Economy or Economics is a study of mankind in the ordinary business of Life; it examines the part of the individual and social action which is most closely connected with the attainment and with the use of material requisites of well-being.*” This welfare definition was still criticized as too narrowly materialistic. It disregards, for example, the non-material aspects of the services of a firefighter, an artist, or a discoverer of a life-saving drug. Not surprising, each individual political process and state system of governance possesses diverse views of how to balance these material requisites of well-being. The U.S., in particular, tends to adhere to an extreme priority to protect specifically the wealthy class, whilst placing a much less priority to protect the disadvantaged classes (as a recent example, the devastation of the South Gulf States from Hurricane Katrina in 2005, embarrassingly exposed a substantial ‘neglected’ class of America’s population).

Many of the European and Asian states, however, tend to weight the same capitalism-based balance more toward the protection of the disadvantaged (often at the expense of corporate growth). More subtle aspects of capitalist-leaning states still struggling with finding the right balance between wealth and welfare can be seen in the various debates relating to education, health care, insurance, criminal justice, taxation, gun control, mass transportation, and even tobacco. Many non-capitalist-leaning states (generally, autocratic and theocratic states), tend to structure the largest portions of their civilizations upon an imbalanced hybrid of idealism and materialism (weighted toward idealism).

Since the late 1940s—even as we have not yet completely understood the previous examples of balancing wealth with social welfare, nor more fully reconciled our material selves with our ideal selves (and the balancing of religion and secularism), *internal to states*—another and exceptionally composite layer of social well-being has been evolving: global human values (*external to states, and impacting internal state policies of others*) (again, the basis to Huntington’s ‘clash of civilizations’ thesis). Extreme examples of this might relate to issues of genocide, human trafficking, militant extremism, or orga-

nized corruption specifically sanctioned by state governments. But more subtle examples might relate to issues of child labor, women's rights, crime and punishment, environmental protection, normalization of corporate and consumer laws and policies (product safety standards and even consumer product returns), stem cell research, even education. Weighted against these issues of global human values, however, is the Westphalia Order notion of state sovereignty.

And as the Bosnia-Herzegovina nation-building case study observes, states are often not supportive of these global normalizations due to the fact these normalizations tend to economically benefit the power states, whilst limiting or even diminishing the hinge/fringe states' capacity to compete in global markets. As stated before, this reluctance to normalize economic and social processes on a global scale, most often leads governments of hinge/fringe states to emphasize their specific differences in cultural identity and hide behind the flag of sovereignty by: (a) undertaking oppressive measures so as to retain control over the state's limited wealth generation capacities, (b) becoming victim to organized corruption networks filling existent vacuums, (c) becoming victim to civil unrest and/or militant extremism, and (d) all of the above. Even power states, themselves, are often loathed to be held accountable to the growing list of global human values. Two example of this might include: (a) particularly U.S. citizens (but other power states as well) are reluctant to curb their output of global warming emissions (such as personal vehicle use and manufacturing energy use), and (b) again, particularly the U.S. is reluctant to be held accountable to international standards of criminal law, specifically relating to issues such as crimes against humanity, etc (the U.S. consistently refuses to ratify the Rome Statute and to be held accountable to the International Criminal Court, as an example).

Sovereignty is the justification. And yet, increasing populations of hinge/fringe states rapidly destroy vital forest reserves (generally, to expand agriculture) or construct office and residential buildings with unsafe materials and standards (and often, after a natural disaster, the International Community—via citizens' tax dollars—provide humanitarian and reconstruction funds to these communities). Or even more cruelly, a government leader from a hinge/fringe state undertakes a policy to deprive a certain segment of the state's population (generally, ethnic-based) of certain human rights. Sover-

eignty is the protection. Modern history is replete with examples of multilateral failures, from the inability to stop genocide in Rwanda, to the inability to enforce the Nuclear Non-proliferation Treaty with respect to states such as India, Pakistan, Iran, and North Korea.

International relations and geopolitics have for centuries limited the scope of sovereignty within political and militaristic terms, and have not systemically included the precepts of economic sovereignty of a peoples. These economic precepts have been left to the heretofore ‘invisible hand of free markets.’ But as the modern era demonstrates, free markets are not really free, and never really have been. They are heavily influenced and even manipulated by larger geopolitical objectives of governments (and their exploitations of material and human resources) as well as the largely internal balancing of wealth and welfare. And then this: formal, meritocratic (competitive) market economies do not occur as a consequence of a political vacuum, as do informal, clientelistic markets. Meritocratic markets exist effectively when government, corporate, and social institutions are—from civilizational inception rather than consequence—carefully constructed and integrated to generate the greatest capacity for efficiency and definition of value (wealth and welfare, or materialism and idealism). This government, corporate, and social integration supportive of value generation is exclusively dependent upon an open, transparent, flexible, and stable democratic process (and all the institutions democracy requires). Democracy itself is founded on a value, *equality*, which implies not only equal rights, but also equal responsibilities. The political and the socioeconomic rights and responsibilities that form the basis for equality are intimately connected, in national as well as international society.

In the theory of economic history associated with Karl Polanyi, an expansion and deepening of the market is followed by political intervention. The expansion of market is the first movement and the societal response the second movement. Polanyi described this process as the Great Transformation, the title of his famous book. An institutionalised balance as a dialectic outcome of these two processes can be called a Great Compromise (Hettne, 2001). The Bretton Woods system that emerged after the Second World War was in fact such a compromise. Using a Polanyian term, John Ruggie (Ruggie, 1998) labeled this system embedded liberalism,

more precisely defined as transnational economic multilateralism combined with domestic interventionism.<sup>52</sup>

However, as stated throughout this work, as various multilateral institutions (such as the U.N. and Bretton Woods system operating within the context of the Washington Consensus) have attempted to address diverse instances of inter-civilizational compromises, the primary missing ingredient has largely been the unifying precepts of *mutual beneficence*. Value generation, national and transnational, is no longer an exclusive right and responsibility of a state government, the traditional interlocutors of the geopolitical process. The new interlocutors—the interlocutors that the Bretton Woods system and the International Community are ill-prepared to assist—are individual private sector corporations and the new knowledge-based labor these corporations employ, relative to both large and SME corporations as well as *ad hoc* collaborative communities, and all transnational in their potential. The World Bank/IMF is still primarily focused on providing large-scale debt packages to governments which acquiesce to certain International Community demands. The World Bank/IMF are woefully inefficient in providing smaller scale monetary, knowledge, and market-access assistance to the plethora of SME corporations that now provide the majority of new job growth in the national/transnational marketplace. And just how can the World Bank/IMF place geopolitical demands upon an individual SME which is, to varying degrees, detached from direct government influences and intervention (at least within democratic states)? Largely for these reasons of global economic evolutions, the geopolitical-based multilateral institutions originally established in the late 1940s, such as the U.N. and Bretton Woods system, as multiple critics have consistently observed, are simply incapable of facilitating member states to find global solutions for these complex compromises of civilizational policy (politics) and economic benefit (livelihood). If Jeremy Rifkin is anywhere near the truth when he proffers that intelligent technology may sooner than later replace human labor, then certainly, all states will be required to aggressively reassess both internal and external multilateral policies, institutions, and relationships.

---

52 *Global Governance in the 21st century: Alternative Perspectives on world order*, Edited by Björn Hettne and Bertil Odén, 2002

Ethno-cultural based crises have since the end of the Cold War increased in their number and scale. Whether limited to specific minority secessionist communities seeking independence from controls exploited by majority communities (such as Catholic majority separatists in East Timor wanting independence from Muslim-majority Indonesia <sup>53</sup>, Muslim separatists in Chechnya wanting independence from the Russian Federation, Muslim separatists in the Philippines wanting independence from its Catholic majority, etc), or to larger-scale geopolitical restructuring (such as the break-up of the Soviet Union into the Newly Independent States (NIS) <sup>54</sup> and the surviving Russian Federation and of Yugoslavia breaking into six separate independent states <sup>55</sup> with Serbia being the sole survivor of the Yugoslav Federation). The end of the 44-year Cold War between the two superpowers of the U.S. and the U.S.S.R. has now led to multiple armed conflicts as well as multiple mini cold wars throughout the world. These conflicts (armed or cold) generally are quantified in the following manner: (a) intra-state conflicts which do not pose substantial threats to surrounding states; or (b) inter-civilizational conflicts which do indeed pose various types of threats to surrounding states.

In Samuel P. Huntington's seminal work, *The Clash of Civilizations and the Remaking of World Order*, the thesis is presented that:

In this new world the most pervasive, important, and dangerous conflicts will not be between the social classes, rich and poor, or other economically defined groups, but between peoples belonging to different cultural identities.

This thesis of *Hands & Brains Unbound*, however, categorically disagrees with Huntington's—due to an explicit evolutionary influence presently exerting itself upon world order: the globalization and statelessness of economic systems. A number of empirical

53 East Timor declared its independence in 1999, but Indonesia refused to recognize the declaration. East Timor was brought under a United Nations protectorate in 1999, until full independence was granted and recognized by Indonesia in May 2002

54 Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine, Uzbekistan

55 Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, Slovenia (now a member of the European Union), and as of early 2008, Kosovo has declared its quasi-independence from Serbia

studies have, over time, been conducted which find that a more base driver for intra- and inter-state conflict resides in the understanding that the pursuit of livelihood, even greed, when constrained by the availability of natural resources, is a potent predictor of conflict. <sup>56</sup>

All natural capital wealth, especially mineral wealth (availability and export dependence on oil) is strongly related to conflict at all levels of severity. Greed-related conflicts seem to be more prevalent in highly homogenous religious settings, particularly within largely Islamic and Catholic countries. If there is a clash of civilizations, it is more likely that it is political rather than civilizational. <sup>57</sup>

The globalization, or transnationalization, of industry and commerce production systems is increasingly altering the landscapes of both prosperity and peace. Relative to the larger geopolitical underpinnings, however, the increased importance of transnationalization relates to the issue of *values*: equality necessitates that people are equal before the law, but also that they have a certain economic equality. People cannot have dignity and freedom unless they also possess some form of economic commonality and reciprocity.

Know, then, that the differences between peoples arise principally from the differences in their occupations; for their very union springs out of the need for cooperation in the securing of a livelihood. <sup>58</sup>

Ibn Khaldun provides an original and insightful analysis of long-term adjustments within occupations and between one occupation and another: high earnings in one craft attract others to it, a dynamic phenomenon which will eventually lead to an increase

<sup>56</sup> See *Does Culture Matter? The Relevance of Culture in Politics and Governance in the Euro-Mediterranean Zone*, Center for European Integration Studies and Center for Development Research, 2002

<sup>57</sup> *New World (Dis)Order? Testing the Effects of Trade & FDI on New Models of Civil Conflict, 1989-1999*, Indra de Soysa

<sup>58</sup> *Prolegomena*, Ibn Khaldun. Modern history has recognized Khaldun as 'the father of economics' due to the fact that he seems to be the first person to empirically address complex issues such as cross cultural trade, ownership versus labor, influences of the needs of the state upon the personal choice of an occupation by the individual.

in its available supply and consequently lower profits. This analysis of Khaldun, however, was attacked by John Maynard Keynes in his famous statement that *in the long run we are all dead*. Nevertheless, Ibn Khaldun's analysis has not only proved to be historically correct but has also constituted the core thinking of post-industrial economists. Indeed, as will be detailed later, Keynes' and Adams' understanding that natural resources (and the labor which exploits these resources) will ultimately succumb to the laws of *diminishing* returns has been reversed by the evolution of the knowledge-based economy—meaning that instead of natural resources being the raw material of wealth creation, in a knowledge-based economy, mere thought, creativity and innovation as raw material of wealth creation are ruled by a new law of *increasing* returns.

Ibn Khaldun keenly observed, analyzed, and explained how earnings in one place may be different from another, even for the same profession. Earnings of judges, craftsmen, and even beggars, for example, are directly related to each town's degree of affluence and standard of living, which in themselves are to be achieved through the fruits of labor and the crystallization of productive communities. It was Ibn Khaldun, not Adam Smith, who first presented the contribution of labor as a means of increasing the wealth of a nation, stating that labor effort, increase in productivity, and exchange of products in large markets are the main reasons behind a country's wealth and prosperity. Inversely, a decline in productivity could lead to the deterioration of an economy and the earnings of its people.

A large civilization yields large profits because of the large amount of [available] labor which is the cause of [profit]. <sup>59</sup>

It was also Ibn Khaldun, long before Adam Smith, who made a strong case for a market economy and for freedom of choice. Amongst the most oppressive measures, and the ones most deeply harming society according to Khaldun, is the compelling of subjects to perform forced work unjustly. For labor (and modernly, innovation) is a commodity—in as much as incomes and profits represent value of labor/innovation of their recipients, *occupation* possibly represents the whole of personal value (materially and ideally).

59 Ibn Khaldun, *Prolegomena* ("The Muqaddimah")

If, therefore, they should be forced to do work other than that for which they have been trained, or made to do forced work in their own occupation, they would lose the fruit of their labor and be deprived of the greater part, nay of the whole, of their income. <sup>60</sup>

Martin Luther and the Reformation altered human perceptions of morality to forego its past adherence to the Class System and its enslaving ‘birth destiny’. Reformation endeavored to value and contribute to *this* life. Ibn Khaldun touches deeper still: ourselves in relation to others. In the sanctuary of our life tasks—our occupations—reside the material manifestations of our ideal selves.

**Socio-corporate Consequences.** In a September 13, 1970 New York Times Magazine article, *The Social Responsibility of Business is to Increase its Profits*, Milton Friedman wrote:

When I hear businessmen speak eloquently about the “social responsibilities of business in a free-enterprise system,” I am reminded of the wonderful line about the Frenchman who discovered at the age of 70 that he had been speaking prose all his life. The businessmen believe that they are defending free enterprise when they declaim that business is not concerned “merely” with profit but also with promoting desirable “social” ends; that business has a “social conscience” and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of reformers. In fact they are—or would be if they or anyone else took them seriously—preaching pure and unadulterated socialism. Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades.

The discussions of the “social responsibilities of business” are notable for their analytical looseness and lack of rigor. What does it mean to say that “business” has responsibilities? Only people can have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but “business” as a whole cannot be said to have responsibilities, even in this vague sense.

60 Ibn Khaldun, *An Arab Philosophy of History*

But as civilizations have emerged from the militarist economies of the Cold War into the stateless economies of collaborative innovation and consumption, and as corporate stockholdings have evolved to include individual participation from average citizens<sup>61</sup>, the border between the ‘artificial person’ of the corporation where a definite separation of owners and laborers once existed and the ‘social citizen’ has now become quite blurred. To state this bluntly: in this modern era, and increasingly, the individual is no longer exclusively dependent upon ‘the corporation’; the individual can contribute his/her economic value via a plethora of other options—from self-employment to *ad hoc* collaborative communities. Indeed, it is increasingly ‘the corporation’ that is dependent upon the individual as both a contributor of innovation/labor and consumer of the corporation’s output. The artificial person and the real person are progressively becoming one and the same. Further, no longer can corporations produce a product and then simply ‘offer’ the product to a retailer (supply creating the demand); the consumer now dictates to the corporation what to produce. An infamous example of this relates to international telecommunications operators bidding tens of billions of dollars on 3G (“third generation” cellular networks that provide wide area Internet access at DSL-like speeds) spectrum auctions in 2000-01—only to discover that few consumers were even interested in utilizing the sophisticated applications made possible by 3G technology. Indeed, over the past few years, ‘guerilla infrastructures’ are further challenging the supremacy of the large telecom operators. Guerilla infrastructures are *ad hoc* networks that enable individual user devices to communicate directly with one another and even route network traffic. These peer-to-peer networks bypass conventional and centralized hub-and-spoke systems and take advantage of resources—storage, cycles, content, human presence—available through the collective ‘hive’ of the peer-to-peer networks, at a small fraction of the cost.

---

61 Until about 1974, only the wealthy were likely to own stocks; middle-class and working-class Americans generally did not participate in the stock market (due in part by high brokerage costs which were heavily discounted beginning in 1974). Recent estimates, however, have shown significant growth in stock ownership. In 1989, 31.6 percent of American families had either direct or indirect stock ownership. By 2001 that percentage had grown to 51.9 percent, most holding stock in retirement accounts. The median value of the direct and indirect stockholdings among families holding stock was \$34,300, up from \$27,200 in 1998 and \$10,800 in 1989.

This coming together of the artificial person and real person, and the growing irrelevance of the ‘supply-side’ paradigm of economics, is now a profound (albeit little-understood) influence upon all civilizations. These influences are only beginning to coalesce into recognizable ‘movements’, such as ethical obligations of ‘Corporate Social Responsibility (CSR)’ and ‘Consumer Social Responsibility (CnSR)’. Part 2 of this thesis first deconstructs, then synthesizes these emerging transitions into a more unified approach of balancing self-determinism with self-restraint—based in large part upon the ‘perpetual peace’ principles of Immanuel Kant.

Increasingly, though, society is growing stronger in its insistence that the business sector adopt ‘Corporate Social Responsibility (CSR)’ obligations in exchange for the consumer’s continued loyalty. CSR is, in the main, a non-legal obligation entered into by individual corporations—the ethical obligation being the corporation agrees to abide by sometimes specific and sometimes non-specific standards of ethics so as to consider the larger interests of society by taking responsibility for the impact of their business activities, in relation to its customers, employees, shareholders, neighboring communities and the environment. Whilst conventional government regulations attempt to legally compel businesses to abide by certain standards, many legal loopholes to regulations exist, and thus CSR is generally a non-governmental method to both fill these legal gaps as well as hold businesses accountable throughout the transnational space where state-specific laws and regulations may not yet be normalized (standardized).

Obviously, the motivations of any business to agree to abide by these ethical obligations are widely varied. Some businesses are of such a visible profile as to attract pressure from multilateral institutions such as the United Nations or public interest groups such as Greenpeace, Human Rights Watch, etc. Other businesses view CSR as an effective self-promoting tool, and often unabashedly use this tool to appeal to new customer bases. And a growing number of businesses, large and small, have come to view CSR not as a negative obligation existing from regulatory or social pressure, but as a positive and natural application of ‘simple goodness’—a realization that the artificial person and the real person are one and the same, bound together to share in both the benefits and responsibilities of the market.

There are two sides to the responsibility partnership: the business and the consumer. For some time now, consumers often communicate via consumer surveys they want to be socially responsible when it comes to their purchase of food, clothing, office supplies, and the like. But these noble sentiments are often not reflected in their actual purchasing habits. In fact, a number of corporations have seen their efforts to specifically innovate, produce and market socially responsible products fall short to produce discernible market traction because consumers failed to purchase them in any significant numbers. Consequently, various corporations and public interest groups are increasingly working together to encourage the consumer sector to adopt 'Consumer Social Responsibility (CnSR)' obligations in exchange for the business' continued commitment to innovate, produce and market socially responsible products. In its broadest form, CnSR can be defined as the conscious and deliberate choice to make certain consumption choices based on personal and moral beliefs. It includes two basic components: an ethical one relating to the underlying importance of the social aspects of a company's products and business processes; and a consumerism component that implies that the preferences and desires of consumer segments are partially responsible for the increasing influence of ethical or social factors (*Stanford Social Innovation Review*, 2006).

Consequently, the evolutions to the business sector relating to CSR and to the consumer sector relating to CnSR, which have already occurred, and which can only accelerate over the next few years, are increasingly blurring the lines between conventional thinking of 'corporate responsibility to the bottom line' and an emerging sense of a universality to values innately shared by diverse societies. The conjoining of the artificial person and real person is giving rise to the stateless 'global citizen' and interdependency of livelihood. It is growing progressively possible to view *benefit* and *responsibility* not as opposing concepts, but as complementary to each other... a balance, even two sides to the same coin. Geopolitics, throughout a majority of the modern era, managed a fairly finite number of states and corporate interests (themselves often dependent upon a militaristic demand economy), constantly balancing national self-determinism with national self-restraint. But geopolitics cannot hope to manage the infinite number of individuals increasingly operating in the stateless universe of economics.

By revealing this evolved status of geopolitical world order and its progressive irrelevance, something else is also revealed. The human species is now challenged with a much deeper and personal conflict: how to balance its commitment to adhere to ethical ideals of self-restraint versus its necessity of securing and maintaining personal livelihood. Individuals, themselves, as they exist in the material world are often either unprepared or even unwilling to balance their personal and/or social self-determinism with personal and/or social self-restraint. In this emerging journey of global individual self-determinism, it is as if civilization's collective curiosity has suddenly awoken, and without a great deal of forethought, opened the contents of Pandora's Box directly into Alice's Wonderland. As a direct consequence of the extreme diversities and complexities relating to balancing benefit with responsibility, civilizations the world over are inevitably evolving toward the moment when their livelihood will clash with their conscience. The clash of livelihood, not the clash of civilizations, then, becomes the most dangerous of all conflicts to challenge global peace. Can finding a process to allow these clashes to discover their imaginable—yet hitherto hidden—interdependencies actually be the opportunity for what Kant envisaged as global democratic peace? Part 2 shall explore this opportunity to provide two possible models from which both interdependent livelihood and perpetual peace can finally be realized.

***Extreme Threat to World Order: Religion versus Secularism.*** From modern civilization's beginnings, societies have struggled with the esoteric and pragmatic influences on societal and political power by the seemingly contradictory principles of religion and secularism, the spiritual versus temporal. There is simply not enough room in this work to adequately address this intricate issue, and even if there were, others throughout history have spoken only too well on the subject. It is, however, important to highlight a few aspects of the consistent tensions that have existed throughout time regarding religion and secularism, and ever pertinent to world order. Samuel Huntington, in *The Clash of Civilizations*, claimed: "*the most important conflicts in the future will be produced alongside the cultural cleavage lines which separate civilizations*". According to this view, religion and geopolitics seem to have been caught in a zero-sum relationship. Religion—vis-à-vis the 1648 Westphalia Treaty—initially helped to

legitimize the world of states but then receded in power when that world order developed its own momentum and evolutions to knowledge, logic, and innovation. The Enlightenment Age and several centuries of progressive secularization of nation-state affairs have increasingly marginalized the *direct* influence of religion over the affairs of state. Relative to the post Cold War era, and if only the internal affairs of state are viewed, a perceived moral decline in Western society is becoming increasingly visible and pertinent to internal political shifts toward the rectifying voices of a ‘moral majority.’ Dramatic rises in corporate greed, political corruption, joblessness, drug addition, sexual promiscuity, even natural disasters<sup>62</sup>, are strengthening the opportunities for religious conservatives to become more aggressively and directly involved with influencing the political affairs of state, and thus, weakening the secular foundations of social governance.

Certainly, many of these religious conservatives express principles and strategies which are both extreme and polarizing. The U.S. national elections of 2000 and 2004 are vibrant indicators that the American electorate is increasingly polarized (with the Republican Party exploiting the radical influences of the ‘religious right’). Famously, the 2000 elections were so split down the 50/50 line that they were ultimately decided about 45 days after the close of elections—not by the electorate, *per se*, but rather by the U.S. Supreme Court. But these rises in religious influences in the increasingly polarizing affairs of state are not limited to the U.S. Europe and Latin America have also experienced a polarizing 50/50 electorate. The September 2005 German elections were not decided for several weeks due to Chancellor Gerhard Schroeder refusing to concede to Angela Merkel. The April 2006 Italian elections were also not decided for several weeks until Prime Minister Silvio Berlusconi finally admitted defeat to Romano Prodi. The July 2006 Mexican elections were so close that declaring a winner actually fueled social tensions between the leftists and the conservatives.

Relative to interstate relations, and where the geopolitical logic of the interstate system and its security appears to falter or fail,

62 In the wake of Hurricane Katrina, some religious conservatives have speculated that the storm was sent by God as an omen or as a punishment for America’s alleged sins. *Media Matters for America* has documented such statements from three religious conservative media figures: Pat Robertson, Hal Lindsey, and Charles Colson. (*Media Matters for America*, Sep 13, 2005—<http://mediamatters.org/items/200509130004>).

religion often emerges as a source for the self-image of groups or the justification to influence global relations. Religious aspirations in Christianity, Judaism, and Islam as holy land, holy war, or influencing specific sociopolitical tensions (such as Pope John Paul II and his direct involvement in the democratization of Poland) possess a clear geopolitical character. A logical question then becomes: is religion a primary geopolitical factor, at the outset defining the goals and objectives of civilization and governance—or does it play only a secondary role, merely amplifying the secularly-defined geopolitical goals and objectives of civilization and governance? For generations, various wars against the West have been waged in the name of the Russian soul, the Germanic race, communism, and Islam. And conversely, the Christian West has embarked on its own crusades with the ‘primitives’ of Islam, Judaism, even tribalism. But *Occidentalism*<sup>63</sup> or *Orientalism*, as ideologies of hate, separateness, or superiority—and when based on some substantive or even contrived religious justification—can too easily be twisted into a holy war against the general existence of moral decay, even spiritual evil. Human civilization, from its genesis, has often politicized religion and/or religionized politics. History has consistently demonstrated that the confrontation between religion and politics is seemingly unwinnable and futile.

Various scholars have observed that religious extremists are essentially lost in nostalgia, perpetually longing for some form of ‘divine simplification’, some ancient vision to recapture the innocence associated with the Garden of Eden<sup>64</sup>. Of course, reconstituting the simpler times, like escaping back into the womb once we’ve been born, is an unattainable task. Religious pragmatists, in their turn, reveal the more politic face of social governance. It is interesting to note that in April, 2004, in an interview with a Pakistani journalist (relating to the destruction of the Bamiyan Buddha statues in Afghanistan), Mullah Mohammad Omar<sup>65</sup> said

---

63 *Occidentalism* is a term for stereotyped and sometimes dehumanizing views on the so-called Western world, including Europe, the United States, Australia and even modern Japan. The term was popularized by Ian Buruma and Avishai Margalit in their book *Occidentalism: the West in the Eyes of its Enemies* (2004). The term is an inversion of Orientalism, a label for stereotyped Western views of the east.

64 Some anthropologists have hypothesized that the Garden of Eden does not represent a geographical place, but rather represents cultural memory of “simpler times”, when man lived off God’s bounty as opposed to toiling at agriculture (being “civilized”).

65 Mohammed Omar (born 1959) is the reclusive leader of the Taliban of Afghanistan and

the following: *“I did not want to destroy the Bamiyan Buddha. In fact, some foreigners came to me and said they would like to conduct the repair work of the Bamiyan Buddha that had been slightly damaged due to rains. This shocked me. I thought, these callous people have no regard for thousands of living human beings—the Afghans who are dying of hunger, but they are so concerned about non-living objects like the Buddha. This was extremely deplorable. That is why I ordered its destruction. Had they come for humanitarian work, I would have never ordered the Buddhas’ destruction.”*

In this circumstance, as is often the case when religion and politics are mixed, the destructive acts of the Taliban were all too human, based on anger and resentment (and possibly, even guilt); religion only served as a contrived excuse for their human acts. Other scholars, however, look beyond the ‘divine simplification’ perception as it relates to the rise of militant extremism. Tensions between civilizations can begin to be better explained when viewed in the larger perspective of geopolitics—and in particular, the U.S. applications of its hegemonic power.

A hegemonic power like the United States is by definition a “rule writer” for the world community. Those occupying positions of power within the United States have “become the deans of world politics, the administrators, regulators and geographers of international affairs. Their power is a power to constitute the terms of geopolitical world order, an ordering of international space which defines the central drama in international politics in particularistic ways.” What is important here is the activity of rule making and rule following rather than state dominance, for hegemony is more than the *primus inter pares* power of a state. <sup>66</sup>

Responses to this hegemonic declaration of ‘rules’ on a global scale has been diverse: whilst Latin America progressively isolates itself from the U.S. and other capitalist states and formulates its own ‘rules’; the economic rise of states such as China, Russia, and India compels these states to flex their own muscle in various unstable

---

was Afghanistan’s de facto head of state from 1996 to 2001. He has been in hiding since the U.S. war in Afghanistan started in 2001 and is wanted by U.S. authorities for harboring Osama bin Laden and his Al-Qaeda organization.

66 Ó Tuathail, G., *Critical geopolitics*, 1996

regions, particularly Africa—abiding by few ‘rules’; and the world of Islam (coexisting in the stateless world of Idealism and the material world of nation-states) also endeavors their voice to be heard. But Islam has few material assets at its disposal to stand-up to hegemony of any sort. Oil is certainly a material asset, but this asset is equally a subject of greed, and a corrupting force upon those that possess it and those that lust for it—thus, causing the fracturing of the Muslim world into traditionalists and modernists. As the West possesses such an overwhelming and indefeasible asset base, economically and politically, endeavors from the Muslim world for their voices (both temporal and spiritual) to be heard are never seriously considered by the ‘superior West’. Consequently, to many in Islam, their only remaining response is to create *disorder* on a scale large enough for their voices to be finally heard. Again, if the surface symptoms are disregarded, and the deeper roots of conflict exposed, the issues are really those of economic submission, military dependency, social and political disunity, and disability to produce advanced technological products and services capable of competing in the global markets—which drives conflict. The disenfranchisement from the economic and even spiritual benefits of livelihood relates not only to Muslims, but to a vast majority of the hinge/fringe states. Disenfranchisement causes civilizations to react in a multitude of ways—some healthily, some unhealthily; some passionately, some compassionately. Tomas Drobik, in his monograph, *Islamic Responses to US hegemony and world order*, 2007, contrasts the Muslim attitude toward globalization in relation to the hegemony of the U.S.:

As a matter of fact, we are forced to deal with paradox point out by Gill (2000) that whereas world is being more and more interconnected by networks, resistance against such tendencies will emerge and become essential. However, it is not globalisation which is being opposed, but the USA and the West, respectively their imperial policies causing uneven distribution of wealth. In the “realms of resistance” actors employ ideological frameworks in order to describe the fundamentals of the West societies as spoiled by consumerism and selfishness. The concept of the New World Order is has been criticised as solely dividing policies of “us” and “them”, using stereotyping, and popular imaginations. Subsequently all trends were embodied into the so-called Bush doctrine, with the

war on terrorism and preemptive wars. Against such policies, the polyvalent form of resistance has emerged in many regions and also in the “heart of the Western world”. Islamistic resistance was driven by the religio-political principles and as such, the strength was considerable. Also this efforts has contributed to the worldwide diffusion of anti-geo-political discourse and supported the dissident voices of anti-Americanism, anti-Westernism and anti-imperialism and promoted the emergence of alternative world concepts of order.

To the naked eye, it has appeared as if the conflict experienced between Islam and Christianity is the driving force in the destabilization of world order. But peer under the skin, as Ibn Khaldun did those many years ago, it is really the conflict of livelihood that challenges community, state, and world order. The symptoms of conflict must be differentiated from the causes of conflict. It is clear that in times of conflict, religion attempts to raise its flag along the tether of *direct* social governance so as to help guide societies back to order. It might be observed that the Muslim voice wanting to be heard is really no different than the U.S. religious right wanting their voices heard. Both are responding to a profound sense of moral decline throughout civilization. Both possess moderate as well as extreme voices; and both have sometimes resorted to violence. Part 2 proffers that a more *indirect* and balanced influence from religion is both possible, and indeed, needed. A moral sensation of order is needed because of what faces all civilizations in the fast-approaching future: our curious, innovative, self-determinant selves are about to face the dreadfully harsh realities of earth’s natural limitations. Increasingly, we will be forced to choose between what is innate and what is right.

### ***Material Constraints to Stateless Sovereignty.***

#### **—The Constraint of Natural Resources**

The limitations of specific natural resources such as those utilized for production and consumption energy needs (oil and gas), and possibly even water, have been central in the objectives and policies of geopolitical balancing of power. In one of the first reports of its kind, commissioned by the Club of Rome<sup>67</sup> in 1972, the study

67 The Club of Rome is a global think tank that deals with a variety of international political issues. Critics have charged the Club of Rome with alarmist “Neo-Malthusianism”

of global population growth models and energy consumption data sets became substantially influential in shaping Western policies regarding both *energy security* as well as international development priorities.

If the present growth trends in world population, industrialization, pollution, food production, and resource depletion continue unchanged, the limits to growth on this planet will be reached sometime within the next one hundred years. The most probable result will be a rather sudden and uncontrollable decline in both population and industrial capacity. The behavior mode of the system is that of overshoot and collapse. In this run the collapse occurs because of nonrenewable resource depletion. The industrial capital stock grows to a level that requires an enormous input of resources. In the very process of that growth it depletes a large fraction of the resource reserves available. As resource prices rise and mines are depleted, more and more capital must be used for obtaining resources, leaving less to be invested for future growth. Finally investment cannot keep up with depreciation, and the industrial base collapses, taking with it the service and agricultural systems, which have become dependent on industrial inputs (such as fertilizers, pesticides, hospital laboratories, computers, and especially energy for mechanization). The situation is especially serious because population, with the delays inherent in the age structure and the process of social adjustment, keeps rising. Population finally decreases when the death rate is driven upward by lack of food and health services. The exact timing of these events is not meaningful, given the great aggregation and many uncertainties in the model. It is significant, however, that growth is stopped well before the year 2100. We have tried in every doubtful case to make the most optimistic estimate of unknown quantities, and we have also ignored discontinuous events such as wars or epidemics, which might act to bring an end to growth even sooner than our model would indicate. The model is biased to allow growth to continue longer than it probably can continue in the real world.

---

views and strong elitism in its membership which interlocks with European power elite groups such as Bilderberg and to a lesser degree Anglo-American elite members. The Rev. Thomas Robert Malthus's *An Essay on the Principle of Population*, 1798, made the famous prediction that population would outrun food supply, leading to a decrease in food per person. (Case & Fair, 1999).

We can thus say with some confidence that, under the assumption of no major change in the present system, population and industrial growth will certainly stop within the next century, at the latest.<sup>68</sup>

Thus, much of the power states' geopolitical objectives face a complex challenge: how to encourage hinge/fringe states to develop their economies (thus, stabilizing their sociopolitical systems) without (a) endangering the global eco-system and overburdening the world's limited resources, specifically oil, and (b) endangering resource supplies necessary for economic growth of the power states? Particularly with the aggressive economic growth of states such as Russia, China and India, the military and geopolitical conflicts throughout the Middle East, the growing anti-Western stances of oil producing states in Latin America, and the ethnic tensions and corruption threatening the stability of various oil producing states on the African continent—all these regions pose a seeming intransigent burden over the long-term stability of global markets. Increasingly, water supply and demand is also becoming an issue of both intra- and inter-state tensions and even conflict. Energy security may impact essentially the economics of a state, but water security is nothing less than vital for human survival. Geopolitical maneuvering, no matter its ethical commitment and execution, seems not to be an effective modality to facilitate and ensure global world order.

Over the last decade, water scarcity has increasingly been coupled with international security. Due to the nature of water – a fluid life-necessity and a key ingredient in economic development, driven by gravity across boundaries – it has been anticipated that water may trigger international conflicts – the so-called water wars – in the future. In 1995, the World Bank vice-president Ismail Serageldin said that ‘...many of the wars of this century were about oil, but wars of the next century will be about water’. In a similar vein, in 2000, UN secretary general Kofi Annan suggested that ‘... fierce competition for freshwater may well become a source of conflict and war in the future’.

These ‘warnings’ have been supported by research undertaken within the field of ‘environmental security’. Wolf (1998) mentions

68 *The Limits to Growth*, Donella H. Meadows, Dennis I. Meadows, Jorgen Randers, William W. Behrens III, A Report to The Club of Rome (1972).

several authors who have suggested that ‘competition for limited ... freshwater ... leads to severe political tensions and even to war’ (Westing 1986), and ‘history is replete with examples of violent conflict over water’ (Butts 1997) and have thus contributed to the commonly held notion of water scarcity leading to international conflict. The basic argument behind this notion is that because water is such a vital and yet finite resource, scarcity of water, often measured through the use of the Water Stress Index (Falkenmark 1989), leads to intense political pressures. Because water ignores political boundaries, such political pressures might spill over and lead to international conflicts.<sup>69</sup>

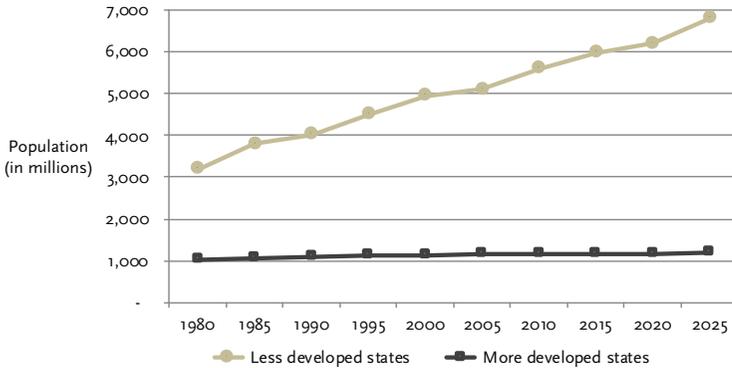
### —The Constraint of Population Growth

The spark that possesses the devastating potential to finally ignite global conflict is the momentous growth projections of the human population. Demographically, the world’s population evolutions are rapidly unbalancing the conventional densities and distribution of power, politically and economically. According to various sources, including the World Resources Institute, it is projected that 84% of the human population will be located in what we now refer to as the Third World. Even by 2025, the present highly industrialized states will be ‘small number states’, where U.S. and EU populations will be significantly overtaken by African, Asian, and Middle Eastern populations. The geopolitical issue unveiled by this redistribution of populations is how can power states (soon to be small number states) hope to maintain dominance over 84% of the human population which is already, to a great extent, disenfranchised from global economic markets? History consistently reminds us that only three options exist which can successfully secure order within and between states: military force, authoritarianism, or economic security. Democracy, in and of itself, cannot secure or maintain order within a failing economy and state; democracy merely provides a structure and means by which diverse voices can be heard. Rapid and profound shifts in the distribution of populations can only add pressure upon an already decaying system of geopolitical world order.

---

69 *From Water Wars To Water Riots? Lessons from Transboundary Water Management*, Danish Institute for International Studies, Copenhagen, 2003.

Table 24 - Population Growth Trends: Impact on World Order?



Relating to the economics of population growth, rapid population growth aggravates unemployment in developing states by producing a high ratio of dependent children for each working adult. This leads to an abnormally high percentage of income appropriated for immediate survival needs of food, housing, and clothing—whilst leaving little or no disposable income for purchase of elective goods or investment in the economy, education, government services, or infrastructure. Population pressures within weak or failing states increase their vulnerability to internal conflict and social disintegration. *The Failed States Index 2007*, compiled by *Foreign Policy* magazine and the Fund for Peace, lists “demographic pressures” as one of the foremost social, political and military factors affecting the stability of developing states. The index specifically cites “pressure derived from high population density relative to food supply and other life-sustaining resources,” and “pressures from skewed population distributions, such as a ‘youth or age bulge,’” as major demographic risk factors, including the stimulation of terrorism. Afghanistan and Pakistan both suffer from severe ‘youth bulges’. In Afghanistan, 32 percent of the population is between 10 and 24; in Pakistan it’s 34 percent.

When an economic vacuum exists, gray markets, organized corruption networks, and militant extremism rapidly fill the vacuum. Relating to the impact population growth has on the earth’s ecosystems, population growth increases pressure on water scarcity, deforestation, the expansion of agricultural land, the pollution of

air, water and soil, and urban and suburban sprawl. As urban areas expand without adequate construction safety practices, population growth dramatically increases the vulnerability of developing states to infrastructure collapse and environmental catastrophe (such as the December 2004 Tsunami that destroyed entire towns and villages throughout Indonesia, India, Sri Lanka, and Thailand, killing more than 250,000 people). Presently, average individual consumption of natural resources in industrialized states is 20 times higher than in less developed states, and it is reasonable to conclude that as the shifting demographics continue to evolve, the demand for natural resources will only grow exponentially.

The sovereignty of the individual which has only just begun to emerge will increasingly be challenged by the sovereignty of other individuals. History is brutally clear about what individuals do to others when their security is threatened. This cumulative nexus of sociological, economic, and ecological tensions affecting weak states, power states, and crisis zones is already a dangerous flashpoint for global conflict—and is made even more incendiary by the rapid and profound shifts in the redistribution of populations. Consequently, the pursuit of interdependent livelihood is made the more precarious—and the more vital to pursue.

### *A Voice Calling From the Unexplored Chaos*

Constructing global solutions which allow for a balance between economic interdependency and cultural diversity will be almost entirely dependent upon identifying a balance between materialism and idealism. Certainly, though, these seemingly opposing views of materialism and idealism are not in point of fact contradictory views; rather, they are kindred spirits, needing each other's balance, dialectic voices in a much larger harmonic chorus. The conjoining, rather than the segregation of materialism and idealism is the symphony of our temporal manifestations of our ideal selves. This symphony inspires the chorus of civilization to sing its voice on the stages of knowledge-based economics, innovation, education, re-innovation, wealth generation, consumerism, social responsibility, and ultimately, renewal and even enlightenment. This is the living organism of *Livelihood*—interdependent and timelessly evolving, even competing, but not clashing and intransigent.

At a time when world order is desperately needed to absolve our global imbalances of security and prosperity, the final evolutionary challenge upon the Westphalia Order is civilization's recognition of an *inclusive* rather than *exclusive* ideology of international relations. *Inclusive* orientations, whether religious or secular, emphasize human solidarity as desirable and possible, thereby challenging the hierarchical and *exclusive* underpinnings of the Westphalia Order as determined by 'might makes right' militarism and territorial ownership objectives. A collaborative world community, then, becomes thinkable. As it becomes thinkable, the inequalities inherent in the geopolitical systems of world order become more visible and challenged. On one hand, the liberal/idealist outlook is more hopeful about human nature and its potential for *inclusivity*, whilst on the other, the contrasting conservative/realist outlook emphasizes *exclusive* access to truth and salvation—and regards those without such access as evil or as infidels. Western exclusivists delineate North Korea, Iraq, Iran, and Cuba as the 'Axis of Evil,' as an example; whereas, Muslim exclusivists view the West and particularly the U.S. as 'infidels'—again, though, both of these examples merely reflect the symptom of conflict, not its root. The consequences of adhering to a system of *exclusivity*:

On either side of an *exclusive* civilizational order, exclusivity creates for itself complex and interwoven structures and systems that are designed to protect and govern those inside its sphere, as well as prevent entry into the sphere by outsiders. Consequently, those residing outside the exclusive sphere grow increasingly disaffected, and eventually resort to what they perceive to be the only remaining tool capable of reinforcing their own version of exclusivity: organized disruption of the other's exclusivity. Preemptive intervention (*exclusive*), since the terrorist attacks of September 11, 2001, has become the 'Bush Doctrine.' Essentially, bring the war, militarily, directly to the 'evil ones'—before the 'evil ones' can strike out at the 'infidels.' Exclusivity targeting exclusivity. And this raises the jeopardy of exclusivity-bound power states to support, via international development assistance, hinge/fringe states prepared to support, or more likely exploit the exclusivity agenda, irrespective of the recipient states' record of human rights and democracy. This merely recreates the hazardous logic of Cold War alliances supporting despotic regimes simply to garner additional balances of

power for one alliance over another. Once the Cold War was over the world is found to be comprised of economically and socially unstable dysfunctional despotic regimes. The ties that bound society together during the Cold War were ineffective in binding society together post Cold War. Pendulums may swing from one time to another, but the lessons gained from one time are often unheeded in the other time.

It could be argued that the preemptive intervention policies of the Bush Doctrine are, as a matter of fact, post intervention policies—an agenda merely reacting belatedly to the long and painful deterioration of states and regions held captive to generations of colonialism and exploitation. An *inclusive* adaptation of preemptive intervention, however, provides opportunity to all parties to share and apply diverse knowledge so as to best manage the efficiency of resource allocation and society as a whole; in essence, international relations can also affect reciprocal growth. It is doubtful the United States, Europe, or even Japan could have recovered and prospered as rapidly as they did after World War II without the drive for innovation and (comparatively) free trade. It is equally doubtful the East Asian, African, or Central European emerging markets can continue to grow prosperous without their own brand of innovation and market access into the global economies. There indeed exists a causal linkage between innovation, free trade, social prosperity, systems of democracy, and ultimately, democratic peace. The question then becomes how to knit this tapestry together? How to rebalance the mandates and tools of *exclusivity* with *inclusivity*? And in relation to any experience of a socioeconomic ‘big bang’ resulting from this rebalancing, how do we not throw the baby out with the bathwater? <sup>70</sup>

It should be evident that by blurring the lines, definitions and applications of the traditional Westphalia Order (strict territorial sovereignty)—by expanding the protections of sovereignty to the *individual* and not only the *state*; by expanding *rights* of sovereignty to include the *responsibilities* of sovereignty; and by allowing the challenges between *inclusivity* and *exclusivity* (and *exclusivity* against *exclusivity*) to gain institutional validity and ‘traction’—the

<sup>70</sup> See: *Intervention for human rights in Europe*, Janne Haaland Matlary; *Surrogate Sovereignty? Great Power Responsibility and Failed States*, Robert H. Jackson; *Global Governance in the 21st century: Alternative Perspectives on World Order*, Edited by Björn Hettne and Bertil Odén; *Beyond Westphalia? State Sovereignty and International Intervention*, Edited by G. Lyons and M. Mastanduno, 1995; and multiple writings by Richard Falk.

very nature of religious ideological exclusivity that served as the precursor to the Westphalia Order brings us all back to that precarious fulcrum point between chaos and order, between conflict and peace, between utopia and reality. It might already be too late to turn back. Pandora's Box may have already been opened. In a certain sense, the long-standing foundations of the Westphalia Order (and its ability to function as the caretaker of the civilizational guarantees to 'strict state sovereignty') are increasingly under pressure to include more complex and comprehensive distinctions of civilizational values. Indeed, each of the civilizational influences mentioned above dialectically and dynamically influences one another, further blurring both the philosophies and the political management of any singularly defined world order. Kjell Goldmann (1989), referred to a world society attempting to organize and manage this blurred world order-in-transition much like drawing a 'line in water.' This thesis—mindful of the profound, even overwhelming burdens and risks inherent in choosing between retaining the reassuring Westphalia Order and reaching toward the more precarious and unfamiliar implications of expanding the borders beyond Westphalia—does in fact undertake to shoulder these burdens in a dialectic fashion.

The Westphalia Order fundamentally shields humanity from its most profound and unique struggle to achieve in real terms a common global 'Kantian' peace by way of achieving a common *inclusive* dialogue via mutual understanding and respect. We have throughout human history protected us from ourselves. Is it possible for human kind to begin the long and challenging process to discover and confront our truer selves? The nature of power is shifting in front of our eyes. Throughout the ebbing and flowing of civilizations, a multitude of institutions have been the proprietors of power, from the church, tribal chiefs and kings (often protectors of state and church), single-party and parliamentary governments, militaries (as proxies of a government or proprietors of a government), and beginning in the late 1800's to the relative present organized labor has been an influential voice in both democratic and communist systems of governance.

But the occupations being born by innovation and global economies are beginning to change the ingredient potency of power stakeholders. The innovator and consumer are blurring the lines between labor and governmental capitals of power. During the Cold War,

major corporations on both sides of the alliances sold a preponderance of their goods and services to the governments and militaries vis-à-vis the military-industrial complex. Since the products were designed for a specific intention and a specific buyer, the rules of market economies were generally designed to keep the military-industrial complex in relative stability. Bilateral and multilateral trade agreements were infused with dual purposes: to trade only certain products at certain prices, and to uphold the Cold War alliances. Government leaders sounded the clarion calls for new jobs in the area of nuclear power to space exploration. These clarion calls provided the world with a mobilizing patriotic and win-win message: “Your jobs are important. The state depends on you.” And thus governments became the world’s largest employers.

Since the ending of the Cold War, however, the clarion calls have gone silent. No longer do government-centric jobs proliferate the state and vision of democracy or communism. Even the battle against terrorism cannot be won by mass production of bombs and jets. Something more subtle is at work here; something that cannot be controlled or rectified by traditional wielding of power in the military sense. Where the government-military was typically a single-source buyer, economic constancy has now been replaced by the oft fickle consumer demands of individuals and society in general. Not only are these individuals located anywhere in the world, consumers are part and parcel to the labor force and innovation itself. Employees understand that their wages are now dependent upon other individual consumers purchasing their company’s products and services. Individual ownership of company equity stocks shifts a portion of the benefits and responsibility of corporate performance to the innovator-laborer-consumer. How does government power deal with this new evolutionary branch?

The International Community is wielding ‘old world’ tools of the politics of geography. The geopolitical world is primarily mechanical, subject to the whims and even deceits of the designers of the clockworks. Consequently, the benefits and responsibilities of a ‘living economy’ are lost. If, however, the International Community would wield the torches of inclusiveness and economic interdependency, the peoples of the world might suddenly realize that they are, as one, bound on the remarkable journey to Kantian democratic peace—not as a political system, but as an evolving state of being. Orthodoxy,

however, is still wading in the shallow waters of antiquated modalities of power and glory. The deep end of the water is a new baptism. In the deep end, life itself becomes a journey. Inherent in this journey, diverse values of civilization now become the burdens not of government leaders and militaries, but of all individuals operating within a global humanity. In the past, world governments would do business with other leaders, even if those other leaders had blood on their hands—simply out of a perceived need to feed the military-industrial complex. But now, if a world of individual innovators-laborers-consumers chooses to not purchase, say, oil from despotic regimes, then how long will the despotic regimes remain in power? Is it possible that global innovation-labor-consumerism holds the key to a more effective and benign distribution and management of power?

## 5. Case Study Conclusion: True Cost of Sustainability

One of the primary reasons power states and the geopolitical systems of world order are fearful to peer into the chaos sure to be unleashed by all states and civilizations endeavoring for global interdependence is the sheer cost of interdependence. The requisites of any individual economy to become interdependently conjoined with other economies—like any living organism—are functionality and relevance. The requisites of any functioning economy, therefore, are the functionality and relevance of employment, the occupations of individuals.

Resultantly, if a *geo-economic* approach were to be taken to global economic development, it is requisite for global civilizations to be committed to the unambiguous intentions of: (a) establish economic sustainability within the state; and (b) allow the force of economic sustainability to secure and maintain social and political stability—thus global interdependence. These unambiguous intentions, then, provide the moral footing for unambiguous goals to take root. The unambiguous goal of increasing overall per capita GDP to a minimum of US\$ 5,000 is both a quantifiable figure and a benchmark that simply cannot be avoided or delayed. Without these minimal GDP outputs, any state simply cannot be sustained. So the question is

not *can* a state reach this benchmark but, rather, *how* does the state reach this benchmark? This, then, becomes an issue of strategy, tools, and tactics. As the nation-building case study has demonstrated, and if two specific economic indicators—per capita GDP and unemployment rates—are taken into consideration, it becomes clear that for economic, social, and political stability to be attained in the SEE region a considerable number of new jobs will need to be created. From these unambiguous goals, then, various assumptions begin to take shape (recognizing however, these assumptions are in and of themselves dependent upon a myriad of dynamic relationships—including those of *ad hoc* collaborative communities—which cannot be adequately addressed in such a simplified model presented herein):

- A time commitment forces all parties to be, in no uncertain terms, held accountable to implementing the unambiguous goals and objectives. Thus, for the sake of this thesis and its geoeconomic models presented in Part 2, a 10-year target is assumed.
- Allowing for a 5% unemployment rate throughout the SEE region, over 22.6 million new jobs in the region are required over the next 10 years.
- These new jobs require some type of corporate structure to house the new jobs; this simplified model utilizes the conventional corporate structures of large and SME corporations.
- Assuming large corporations (20% of the market) would be comprised of an average of 400 employees, and SMEs (80% of the market) an average of 25 employees—about 11,307 large corporations and 723,659 SMEs throughout the SEE region will be required.
- Job creation costs would follow (administrative, training, working capital). The international average job creation cost is about US\$ 10,000. With specific knowledge and technology transfer strategies, however, these costs can be reduced to about US\$ 1,000. Total job creation costs for the 22.6 million new jobs in the SEE region will be about US\$ 22.6 billion.
- Then, assuming corporate capital requirements per large corporation (US\$ 50 million) and per SME (US\$ 1.5 million)—the total SEE region corporate investment capital requirement is about US\$ 1.6 trillion.

Table 25 - New Jobs in SEE Region Require New Corporations

	New Jobs to Add (# millions)	New Corporations to Create	
		Large Corporations	SMEs
Albania	1.4	719	45,990
Bosnia-Herzegovina	1.1	585	37,471
Bulgaria	3.5	1,776	113,671
Croatia	1.9	985	63,066
FYR Macedonia	0.6	328	21,011
Romania	10.8	5,439	348,101
Serbia-Montenegro	2.9	1,474	94,349
<b>SEE Totals</b>	<b>22.6</b>	<b>11,307</b>	<b>723,659</b>

Table 26 - Investments Required to Create New Corps. in SEE Region

	Investment Costs (by sector & function)			Total Corporate Investment Costs
	Large Corporations	SMEs	Job Creation	
	(US\$ Billions)			
Albania	35	69	1.4	<b>106</b>
Bosnia-Herzegovina	29	56	1.2	<b>87</b>
Bulgaria	88	170	3.6	<b>263</b>
Croatia	49	94	2.0	<b>146</b>
FYR Macedonia	16	31	0.7	<b>49</b>
Romania	272	522	10.9	<b>805</b>
Serbia-Montenegro	73	141	2.9	<b>218</b>
<b>SEE Totals</b>	<b>565</b>	<b>1,085</b>	<b>22.6</b>	<b>1,673</b>

These seemingly unrealistic figures are not based on some utopian view of the world but, indeed, are based on the fundamental realities of corporate and market economics. If the gray markets, organized corruption networks, political instability, civil radicalization, and even militant extremism are to be prevented from spreading from their already fertile grounds in the SEE region to the larger European and global markets, these sources of employment, corporations, and investments are now an inescapable imperative. As unfathomable as these investment figures appear, the larger geopolitical question becomes: why hasn't the International Community directly addressed these unambiguous and quantifiable reali-

ties of market economics when designing and implementing their nation-building projects? Based on the above unambiguous market-based goals and objectives, it becomes clear that the entire premise of the International Community’s geopolitical logic of attempting to instill/impose what it refers to as an “enabling environment” (policy) for economic reform is simply not sufficient to lessen the now tightening grip of the organized corruption networks. A new paradigm is now required. If the above unambiguous goals and objectives are extrapolated on a global scale of economic development, the assumed total corporate investment capital requirement costs for the 646 million new jobs created throughout the global markets will be about US\$ 44.3 trillion. These calculations are detailed a bit later.

**Table 27 - Corporate Investment Costs on Global Scale**

New Jobs to Add	New Corporations to Create		Investment Costs		Job Creation Cost	Total Corporate Investment Cost
	# millions	US\$ Billions	Large Corps, SMEs, & Ad hoc			
	# millions	Communities	(US\$ Billions)	(US\$ Billions)		
646	16.6	43,683	646	44,328		

It should be noted—in comparison to the above figure of US\$ 44.3 trillion global corporate investment capital requirement costs—in 2003 alone, US\$ 12.7 trillion was lost to the gray markets. Thus, the equivalent of 3 years and 6 months worth of gray market losses is what is required to finally establish global economic interdependency (and possibly, a durable global peace).

These simplified corporate investment assumptions, however, do not even begin to consider the equally substantial infrastructure and social welfare development costs, or costs associated with protecting environmental and ecosystems integrity. Four final observations can be made from considering the implications of the above assumptions:

- Global interdependence is possible only with the direct involvement of the private sector participants in the global market economy;
- Market economies of any size require commonality and reciprocity (interdependency of diverse occupations);

- Commonality and reciprocity of diverse occupations can only manifest themselves in a non-polarizing environment;
- The very nature and objective of geopolitics is the wielding of polarization so as to ultimately gain conformity—and thus is counterproductive to the goals and objectives of interdependent market economies.

## 6. Geopolitical World Order is Now Irrelevant

The preceding pages have focused on the following observations:

- Tensions affecting weak states, power states, and crisis zones—these are all dangerous symptoms of a decaying world order system, which for generations, has been preoccupied with polarization rather than interdependency.
- Great transformations to the nature and purpose of livelihood are radically altering our understanding of social, economic, and political structures of world order—particularly the increasing shift away from militarism-based economies to private sector and mass innovation-consumption market economies.
- Modern economics is increasingly knowledge-based and less dependent upon conventional aspects of ‘nationalistic’ or ‘patriotic’ economics, such as military and real estate based sources of wealth generation. Modern wealth and job creation is increasingly focused on mass consumer market innovation, services, and data/knowledge centric—the virtual estate—thus, making geographic and even cultural borders irrelevant.
- By revealing a rare behind-the-scenes view of nation-building, the author’s 9-year case study of Bosnia-Herzegovina clearly demonstrates the International Community’s design and implementation of democratization and nation-building is failing.
- Extrapolating the failure of Bosnia-Herzegovina to the other 135 state failures since 1955, it becomes clear that hinge/fringe states possess little hope to compete in the global markets, and thus essential world order is jeopardized.

- As a consequence of a lack of modern knowledge-based economic development, hinge/fringe states are still dependent upon outdated real estate based sources of wealth generation, and are increasingly forming a nexus between organized corruption networks, inter-ethnic tensions, and even militant extremism so as to maintain control of these real estate forms of wealth generation.
- Even internal markets within the power states themselves are beginning to experience social, economic, and political tensions relative to globalization (particularly relating to immigration, outsourcing, taxation, and imbalances of social responsibilities).
- Within all states, the rapidly increasing and virulent influence of the gray economies (entwined with organized corruption networks, which infect transnational corporations, SMES, and even general public consumers) directly threatens the economic underpinnings of world order.
- Tensions between all states relating to supply and demand of natural resources such as oil, gas, and water as well as the increasing burdens of population growth can only exacerbate the imbalances of an already polarized world order.

Consequently, by viewing these observations systemically and collectively, a decisive statement of the problem can be made: ***the objectives of geopolitical balancing of power between states and the conventional and limited definitions of ‘national interest’ have finally grown to be irrelevant to, even incompatible with, the essential objectives, mechanics, and virtual/structural requirements of stateless and capitalistic knowledge-based global economic markets.*** The problem is made even more acute when this irrelevant and incompatible geopolitical process is specifically applied to post Cold War nation-building exercises. By continuing to impose the nation-building agenda—particularly upon already ailing hinge/fringe states—these incompatibilities will only further destabilize world order. Accordingly, to view a geopolitical-based process of world order via a dialectic perspective:

- If the precedent objectives of geopolitical process have indeed grown irrelevant to, even incompatible with, global innovation-consumption based economies, is it then reason-

able and rational to assume the power states can substantially resolve these incompatibilities via conventional tools?

- Can continuing the power states' manifest destiny to impose only the symbols of democratization upon hinge/fringe states reasonably provide the environment for inter-civilizational trust and partnership?
- Can continuing the power states' aggressive utilization of market protectionist measures and institutions so as to protect their own economic security—and thus limiting global competition—reasonably provide the global markets to find commonality and reciprocity?
- Can continuing the power states' aggressive exploitation of hinge/fringe states' resources of energy or cheap labor reasonably provide long-term sustainability of 'national interest'?
- Can continuing the power states' aggressive (and even preemptive) use of hard power tools and institutions (military and diplomatic, such as the 'global war on terror') so as to impose upon hinge/fringe states to combat largely stateless expressions of civilizational discontent, reasonably provide for an eventual resolution of inter-civilizational conflict?
- To use, as an example, the increasing risk to the economies of the power states emanating from gray market economies and organized corruption networks, is it feasible for the power states to declare a 'global war on gray markets and organized corruption'? It is reasonable to expect that by imposing upon all states a plethora of international regulations, these gray markets and organized corruption networks will eventually lose power?

Since the majority of studies regarding gray markets have shown that increasing regulations actually increases the potency of the gray markets, then it should be clear that any conventional geopolitical process simply could not be effective in resolving what, essentially, is an economic problem—and, in the end, could very well exacerbate the already dysfunctional operations of the market. The Bretton Woods system is in effect powerless to control the gray markets. Likewise, USAID and the U.N. are powerless to control the shadow

activities of SMEs or the consumers who purchase the cheaper goods provided by the gray markets. Virtually every single security agency of power states has identified the profound economic losses caused by the rising influences of the gray markets and organized corruption networks as the single greatest threat to state security and general world order. And yet, the conventional geopolitical process of polarizing and balancing of power between states is essentially powerless to control this rising threat.

The deepening decline in economic and social prosperity specifically within the hinge/fringe states, in concert with the profound challenges inherent to sustaining knowledge-based economic growth on a global scale, and in concert with the innate limits to global natural resources—the nexus of these influences is now placing an exceptionally volatile burden upon world order. So much of a volatile burden that determining some alternative to the geopolitical process of world order may already be an imperative. Finally, the core causal argument of this work is: ***geopolitical world order is now in visible jeopardy of systemic decay, even collapse. An alternative to geopolitical world order is now both an imperative and inevitable.***

Part 2 now addresses this imperative alternative: geoeconomic interdependency. To be explored is the potential to discover that which resides in the deepest parts of each of us: a living economy.



# **PART TWO: RESTORATION**

*For the only way in which a durable peace can be created is by world-wide restoration of economic activity and international trade.*

James Forrestal

## V. THE UNBINDING & THE BONDING

### 1. The Yellow Brick Road

In the main, the preceding Part 1 has been grounded as firmly as possible upon the tools of objectivity: observation and reasoning—empirical evidence providing the foundation for logical deduction. The empirical evidence—the considerable economic asymmetry now existing between mature economies and developing states; the meteoric rise of the gray markets and globally organized corruption networks which rapidly fill the vacuum created by economic asymmetry; the failure of nation-building to address economic asymmetry—leads to the logical deduction that a geopolitical system cannot maintain world order because of its inherent exclusivity to balance power between states contradicts the inclusivity of all states achieving economic interdependence.

In this Part 2, however, it has to be admitted that a greater amount of subjectivity will unavoidably intrude itself upon the process to explore a geoeconomic alternative to geopolitical world order. The reason for this admission is clear: anytime an institutionalization of ‘values’ is attempted, values are in and of themselves subjective, arbitrary. Having said this, though, great care will be taken in how this intrusion of subjectivity will impact the exploration of geoeconomic alternatives to world order. Firstly, the dialect process of reasoning allows for a specific concept (or thesis) to be objectively deconstructed into its constituent parts, observing within each constituent part all things efficient or non-efficient in supporting the thesis—the non-efficient constituents, then, become an antithesis. An example of this thesis/antithesis process of deconstruction: in the preceding Part 1, it was observed that modern corporations are increasingly being subjected to social pressures to abide by Corporate Social Responsibility (CSR) values and obligations. This concept/thesis of CSR was then further observed to reveal a more subtle constituent: a substantial portion of the consumer sector did

not themselves abide by their own stated values; when provided the choice, the consumer often did not choose to purchase socially responsible products.

This more subtle observation, then, reveals an antithesis: individual consumers are reluctant to abide by values or obligations which may limit their short-term capacity to benefit from existence and livelihood. Thus, the thesis (consumers demanding businesses to adhere to social responsibility values) is faced with the antithesis (consumers are themselves reluctant to adhere to social responsibility values). The synthesis of the thesis and antithesis can be reasoned: when faced with the choice between profit/benefit and loss/responsibility, both corporate and consumer sectors have difficulty coming to terms with how, why, and when to balance benefit with responsibility. Even though the act of observation is meant to be objective, the things observed are themselves subjective values. Consequently, subjectivity inescapably intrudes into what was initially intended to be an objective exercise.

Secondly, when faced with these unavoidable intrusions of subjectivity, great care is taken to objectively discover some sense of 'universality' of values. This, too, is impossible to achieve in totality. Our historical institutionalization of values sometimes presents us with inescapable differences, such as this one example illustrates: Western religions (broadly based on Platonic and Aristotelian philosophies) view the universe as a 'creation' of a supreme being; the universe being separate from the creator; each one of us being separate from others; a hierarchy of creator to creation; and within creation itself, a hierarchy of sub-creation to sub-creation, with the human race residing at the top of the earthly food chain.

Early Chinese and other philosophies which shaped Eastern religions (again, in very broad terms) view the universe as being part of the whole of the divine; each one of us organically interconnected throughout the whole; that tangible objects, including ourselves, are fundamentally empty because everything depends on something else to cause it to exist. Where Western religions, societies and nation-states tend to view the universe in hierarchical terms, Eastern religions, societies, and nation-states tend to view the universe in interdependent terms. This type of major inversion of world views presents no opportunity for subjectivity to hide from any dialectic view and analysis of world order.

Therefore, when some essence of universality cannot be readily identified, I as the observer and writer am forced to make certain subjective choices (which can only invite disagreement and debate). Hence, in advance of exploring a geoeconomic alternative to world order, I make this admission. It is, however, my firmest intention to be as balanced as possible when allowing subjectivity to express its voice in the following pages. Arrogance and folly breathe the same air as subjectivity. Realistically, I am conscious that as I attempt to discern some pattern, some solution hidden within an alternative form of world order, the balance will not always be protected. Know then, though, this balance was my inspiration—whether or not it eventually is maintained.

To even contemplate any alternative to the status quo geopolitical process of world order, in and of itself, is to contemplate change; and change, in and of itself, is within Nature a constant, yet within civilizational existence is a subjective value. On one hand, as the Greek philosopher Heraclitus once observed about change: “*Everything flows and nothing stays*”. Yet, as the Swiss novelist Max Frisch also observed: “*He who fears change more than disasters, what can he do to forestall the threatening disaster?*” Understanding that individuals, societies, and political systems are all inherently cautious if not schizophrenic about change, provides this exploration of a geoeconomic alternative with the humble consciousness to proceed not with fear but with care.

In much the same way Part 1 of this thesis was influenced by the maxim “*war is good for the economy*”, another voice from History influences this Part 2. Karl Marx, in his epoch making *Das Kapital* (1867), wrote a blistering accusation of the exploitation of the laboring class by the capitalist class and of humankind’s covetousness in the accumulation of capital. To Marx and a substantial percentage of the laboring class, the hands and brains of our human endeavors have seemed bound into a type of physical and moral slavery to the accumulation of capital.

When we contemplate, not the single capitalist, and the single labourer, but the capitalist class and the labouring class, not an isolated process of production, but capitalist production in full swing, and on its actual social scale. By converting part of his capital into labour-power, the capitalist augments the value of

his entire capital. He kills two birds with one stone. He profits, not only by what he receives from but by what he gives to, the labourer. The capital given in exchange for labour-power is converted into necessities, by the consumption of which the muscles, nerves, bones, and brains of existing labourers are reproduced, and new labourers are begotten. Within the limits of what is strictly necessary, the individual consumption of the working-class is, therefore, the reconversion of the means of subsistence given by capital in exchange for labour-power, into fresh labour-power at the disposal of capital for exploitation. It is the production and reproduction of that means of production so indispensable to the capitalist: the labourer himself.

Mankind have adopted a simple contrivance for promoting the accumulation of capital... they have divided themselves into owners of capital and owners of labor.... The division was the result of concert and combination. In one word: the mass of mankind expropriated itself in honor of the accumulation of capital.

But if we were to somehow evolve the process—not in the draconian rationale suggested by Marx and his ardent followers vis-à-vis the re-distribution of wealth from one class to another, but rather in the evolutionary rationale of generating new and vibrant sources of value and wealth from which all peoples can contribute and benefit. If the owners of capital and the modern labor of our very minds were one and the same; if mutual and interdependent benefit between all peoples could be attained as well as responsibility shared; and if the value of production was no longer defined by physical labor-power, but rather by the social relevance of the production itself—then might we free ourselves from History’s slavery? Might we, by unleashing our minds, unbind our hands and brains from their separateness? And once no longer separate, we perhaps might finally restore for ourselves and all future generations something that has eluded us for so very long: our bonding. This restoration, then, is the vision of the remaining pages of this thesis.

If restoration is the vision that is to guide the pages that follow, then we must embark upon a journey down the yellow brick road of things that reside beyond our comprehension of the real... and stand inside the crucible of Chaos, where a different nature of reality resides.

## 2. The Chaos Crucible

A crucible is both a furnace in which metals are melted and an ordeal. Herein the crucible of Chaos, the metals of civilizational knowledge, beliefs and reality will undergo its long-avoided ordeal—the birth pangs of a revolution to our greater selves, to a deeper reality. Even the word ‘chaos’ is not what we have come to believe it to be. Beginning in the 1960s and maturing over the subsequent decades, solitary, exceptionally brilliant, and frequently unconventional scientists of assorted disciplines—ranging from chemistry, physics, and mathematics, to even economics—started to see ghosts. They spent days at a time often without sleeping peering into a type of ethereal nothingness that seemed, only to them, to surround everything. And by looking for these ghosts, they inexplicably chanced into a radically new dimension of thinking: to not dread or eschew what civilizations have for millennia labeled as monstrous and something to severely contain at all cost—*chaos*—but rather to both intuitively and rationally observe and wonder at the kaleidoscope of patterns, even semblances of order, veiled within the ancient substances of chaos.

These singularly gifted scientists were often unknown to one another, diffused throughout the world’s diverse cultures, separated by geographic borders and professional disciplines. But over the years, these disjointed pioneers began to discover each other and coalesce into discernible clusters. Their very personal journeys into the dark mysteries and realities of chaos theory—looking for ghosts—were often fraught with professional ostracism and outright ridicule from their peers. Finally, though, the scientific establishment began to accept as both legitimate and astonishingly profound these ghosts the pioneers had been studying for decades. And now that science was institutionally looking, chaos was everywhere.

Impacting almost every aspect of the universe, this new admiration of chaos revealed seemingly unpredictable yet pattern-revealing events from the *butterfly effect*<sup>71</sup> to *information asymmetries*<sup>72</sup>. The

71 The concept that a butterfly’s wings might create miniscule changes in the atmosphere that ultimately cause a tornado to appear (or prevent a tornado from appearing) anywhere on the planet.

72 Traditional neoclassical economics literature assumes that markets are always efficient except for some limited and well defined market failures; more recent studies (Stiglitz et

global scientific community as a whole, finally, has fully immersed itself in this now irreversible revolution of the mind first began by savants, eccentrics, and visionaries about a half-century ago.

Yet, for the general populations of society, as well as for its range of political and philosophical systems, the old monster of chaos is still alien, dreaded, and almost entirely eschewed. We are not supposed to see ghosts. And more importantly, our social norms tend to discourage even looking for them. Throughout the ages, supreme control of nature, ideologies, and even world order has been the crucial and unerring objective of civilizations and political systems. Our conventional fear-ridden and ghostly definition of chaos (*a state of complete disorder and confusion*), like death itself, has forever been considered human kind's greatest enemy. But the Greek origin of the word *khaos* merely refers to 'void, abyss'. We, in our present conflict-ridden state of social consciousness and fragile economies, relate to the unenthusiastic (negative) view of chaos as something that terrorizes our individual and social spheres of security; disorder—losing control—is our worst dread. Whereas, a more enthusiastic (positive) view of chaos is that it is only a space—in both physical and meta-physical terms—which merely has been left unexplored. Chaos, in explicit relation to world and social order, still remains quite uncultivated, even vilified. We try to hold on so tightly to the comforting security of what we know to be tangible and immediate (no matter how unpleasant or even harmful our present circumstances may be), and consequently, we vehemently ignore the chaos of the unknown and its inherent risks, even its inherent reality.

Here, though, the crucible beckons. Brewing in its fire are the varied metals of virtue: value, duty, livelihood, interdependency, and even a new and terribly strange ingredient of 'quantum economics'. Hidden in the void of our very selves, Chaos is not a darkness; it is an astonishing mirror of our future selves. The first ordeal is to understand that the emerging self-determinism being experienced by *stateless* individuals—in context with the weakening of the nation-state and geopolitical world order—has yet to define for itself a process to sustain order in its stateless existence. Now, we immerse

---

al.) reverse that presumption: it is only under exceptional circumstances that markets are efficient. Stiglitz (and Greenwald) show that "whenever markets are incomplete and/or information is imperfect (which are true in virtually all economies), even competitive market allocation is not constrained Pareto (allocation) efficient".

ourselves in this *khaos* inherent within our very livelihoods and our senses of duty.

### *Ibn Khaldun's Interdependence & Immanuel Kant's Perpetual Duty*

***Ibn Khaldun & Livelihood Interdependence.*** Virtually every single discourse on modern economics begins with an assessment of the value of labor. Ibn Khaldun's 14th century treatment of the determinants of value of labor and commodities in many respects predates the treatment of value in an industrial age made by Smith, Ricardo, and Marx. Essentially this is due to his associating utility being derived from real estate (specifically agricultural production), which then effects its price. The essential logic of labor and production value, however, is a common link between the late Middle Ages and the modern era. Ibn Khaldun observed the relationship between labor and value as:

There is nothing here [originally] except the labor, and [the labor] is not desired by itself as acquired [... but the value realized from it].

Carpentry and weaving, for instance, are associated with wood and yarn [the respective craft needed for their production]. However, in the two crafts the labor is more important, and its value is greater. (Prolegomena, Vol. II, 313)

It has thus become clear that gains and profits, in their entirety or for the most part, are value realized from human labor. (Vol. II, 314)

Nearly 400 years later, Adam Smith made a similar observation:

Labour was the first price, the original purchase--money that was paid for all things. It was not by gold or by silver, but by labor, that all the wealth of the world was originally purchased. (Wealth of Nations, 30)

Back to Ibn Khaldun: and from the trade of this labor, then, is profit:

[The part of income] that is obtained by a person through his own effort and strength is called profit. (Prolegomena, Vol. II, 312)

Profits will constitute his livelihood, if they correspond to his necessities and needs. They will be capital accumulation, if they are greater than [his needs]. (Vol. II, 311-312)

Ibn Khaldun's division of the total product of labor into necessities and needs and capital accumulation is similar to Marx's notion of *necessary* and *surplus* labor. Thus, labor in and of itself becomes a commodity, something tangible to be exploited by others in either a positive or negative manner. He goes further to observe there is a difference between the above application of value (he refers to necessities and needs as being *objective* value, production that can readily be identified as possessing utility in sustaining livelihood) and *subjective* value. In his time, there were two basic aspects to defining the subjective value of labor and production: the production and trade of luxury, and any change to the stability of the state. Firstly, relating to luxury:

The individual human being cannot by himself obtain all the necessities of life. All human beings must cooperate to that end in their civilization. But what is obtained through the cooperation of a group of human beings satisfies the need of a number many times greater [than themselves]. Furthermore, If the labor of the inhabitants of a town or city is distributed in accordance with the necessities and needs of those inhabitants, a minimum of that labor is needed. Consequently, it is spent to provide the conditions and customs of luxury and to satisfy the needs of the inhabitants of other cities. They import [the things they need] from [people who have a surplus] through exchange or purchase. (Vol. II, 271—272)

It should be known that all markets cater to the needs of people. Some of these needs are necessities, foodstuffs, for instance, such as wheat and barley; corresponding foods, such as beans, chickpeas, peas, and other edible grains; and wholesome foods such as onions, garlic, and the like. Other things are conveniences or luxuries, such as seasonings, fruits, clothes, utensils, mounts, all the crafts, and buildings. (Vol. II, 276)

Then, relating to the stability of the state:

For towards the end of a dynasty, and the setting up of a new state, real estate loses its attractiveness, owing to the poor protection afforded by the state and the general conditions of chaos and ruin: its utility is diminished and its price falls, hence it is acquired for a small sum... Now when the new state has firmly established itself and order and prosperity have returned and the country has rejuvenated itself, real estate becomes once more attractive, owing to its great utility, and its price once more rises. (An Arab Philosophy of History, 76)

As interdependence increases between divisions of labor, interdependence increases between peoples and the state. The state, in turn, becomes a key driver of a sustainable economy. Ibn Khaldun's observation of government spending in maintaining high aggregate demand and creation of economic prosperity mirrors the logic of Smith and Keynes:

For it is the goods demanded by the state which enjoy the highest sales. Other goods, not demanded by the state but only by private individuals, cannot compare with them, for the state is the greatest market, spending on things without too nice a calculation. (An Arab Philosophy of History, 73)

Cities have a highly developed civilization and their inhabitants are very prosperous, and the dynasty is at the root of it, because the dynasty collects the property of the subjects and spends it on its inner circle and on the men connected with it who are more influential by reason of their position than by reason of their property. The money comes from the subjects and is spent among the people of the dynasty and then among those inhabitants of the city who are connected with them. They are the largest part [of the population]. Their wealth, therefore, increases and their riches grow. The customs and ways of luxury multiply, and all the various kinds of crafts are firmly established among them.

Government serves as the world's greatest market place... Now, if the ruler holds on to property and revenue, or they are lost or not properly used by him, then the property in the possession of the ruler's entourage will be small. The gifts which they, in their turn, had been used to give their entourage and people, stop, and all their expenditures are cut down. They constitute the greatest number of

people [who make expenditures], and their expenditures provide more of the substance of trade than [the expenditures of] any other [group of people]. Thus [when they stop spending], business slumps and commercial profits decline because of the shortage of capital. Revenues from the land tax decrease, because the land tax and taxation [in general] depend on cultural activity, commercial transactions, business prosperity, and the people's demand for gain and profit. (Vol. II, 102-103)

Resultantly, the entanglements between labor, production, value, utility, luxury, livelihood, and the state lead to the civilizational recognition of socioeconomic relationships that define *conflict*, as well as its opposite, *union*:

Know, then that the difference between people arises principally from the difference in their occupations; for their very union springs out of the need for cooperation in the securing of a livelihood.

Without this interdependence, which provides for the recognition and protection of the economic 'common good', not only would economies decay, the essential nature and substance of the state would also decay. High prices and high taxes resulting from economies and states engaged in some form of upheaval lead to the financial bankruptcy of an increasing number of people, to general business, and civilizational moral decline.

One person after another becomes reduced in circumstances and indigent. Poverty takes hold of them. Few persons bid for the available goods. Business decreases, and the situation of the town deteriorates. (Vol. II, 293)

Corruption of the individual inhabitants is the result of painful and trying efforts to satisfy the needs caused by their customs. Immorality, wrongdoing, insincerity, and trickery, for the purposes of making a living in a proper or an improper manner, increase among them. The soul comes to think about (making a living), to study it, and to use all possible trickery for the purpose. People are now devoted to lying, gambling, cheating, fraud, theft, perjury, and usury. (Vol. II, 293)

Thus, internal decay and economic destabilization set the stage for withering away of the state and its institutional manifestation throughout urban society. At such an opportune time, rural and nomadic cultures which tend to maintain the moral characteristics of frugality, courage, and independence will conquer the city and establish a new, vigorous order and state.

***Ibn Khaldun & Experiential Constraints to Interdependency.***

From the above snapshots of the general observations made by Ibn Khaldun in relation to economic interdependency, the following insights are appropriate to note:

- Objective labor value is, in the main, centered on utility, whereas subjective labor value is centered on luxury or when some type of state conflict exists. Thus, tension within society increases when some imbalance occurs between utility and luxury.
- In 21st century market economies, society has blurred the line between utility and luxury to the point where it is often difficult to distinguish one from the other. A simple example: foodstuffs are certainly a utility, but foodstuffs that provide little or no nutritional value possess more luxury than utility. Thus, because these luxury foodstuffs possess a certain amount of subjective labor value, and when tension occurs within a society or between two or more societies, these subjective elements only increase tension vis-à-vis one segment of society's demand to protect access to these luxuries, whilst another segment's demand to limit access to these luxuries. Societies may even subconsciously experience some form of collective guilt in its acquiring these luxuries over time. This example of foodstuffs in relation to utility/luxury will, later, be further explored, as well as the aspect of capital accumulation additionally exacerbating the objective/subjective value process. Since subjective value is just that—subjective and arbitrary—when conflict does arise, it is exceedingly difficult for society to react in a manner that is predominately objective. Thus, as modern post industrial economies, individuals, corporations, and societies increasingly produce goods and services that possess more luxury than utility—they become increasingly vulnerable

to conflict expressed in a subjective rather than objective manner.

- Enter the state. The state has conventionally held two responsibilities in relation to economic interdependency: firstly, the state is the largest purchaser of economic production. During the time of Ibn Khaldun, this meant the state (dynasty) purchased larger areas for real estate and agricultural development, whereas in the modern era, technologies in support of improving military superiority. Since history consistently demonstrates that when governments reduce their role as primary purchaser, aggregate demand falls, livelihoods are disrupted, societies weaken, which in turn causes governments to weaken—and this causes societies to welcome, even demand, strong governments. The second responsibility conventionally held by the state in relation to economic interdependency is to ensure legal and moral restraints be upheld by all participants in the interdependent economies.
- As the economies of the modern era become increasingly digital and virtual, they become less impacted by states and governments, and more impacted by stateless individuals and intention-specific communities. Digital/virtual economies and stateless individuals/communities are substantially more focused toward subjective valuation of labor and production (even innovation), and thus more vulnerable to subjective interpretations of utility versus luxury (a bit later in the text, an example of utility/luxury will be explored in relation to the economic consequences of mobile phones). When conflict does arise, it is realized these modern applications of labor and production possess little or no institutional foundation, or even legal/moral authority to arbitrate conflict. Legal and moral standards are in and of themselves subjective manifestations of society and culture, and thus invite even more opportunity for conflict. Corporate Social Responsibility (CSR) and Consumer Social Responsibility (CnSR) values and obligations are evolutionary attempts to institutionalize some form of universalization of labor/production value. As self-determinism expands to include the sovereignty of the individual—a sovereignty which in

the past has been the exclusive right of the state since the Peace of Westphalia—governments progressively lose their positions of exclusivity, and thus, superiority and authority.

- The modern era's transnationalization of conventional nationalized economies, then, provides any and all governments with an almost insurmountable responsibility: to maintain its dynastic role as the primary purchaser (or at least, to ensure aggregate demand for goods and services produced nationally) and to ensure legal and moral constraints as goods and services are collaboratively innovated, produced, and consumed across multiple national borders. During the Cold War, as an example, the U.S. President could be expected to meet with the British Prime Minister to discuss geopolitical strategies as well as negotiate larger trade agreements beneficial to each other's military-industrial complex. One government agrees to purchase the other's aircraft in exchange for the purchase of its battleships. Both governments benefit and both economies benefit because 'national interests' and aggregate demand have been maintained. In post Cold War economies, however, the U.S. President cannot apply geopolitical pressure to another government to purchase, say, Microsoft software or Motorola mobile phones for use by the private sector. The only geopolitical tool available to governments is the subjective application of import duties (to limit economic incursions from foreign markets) and/or industry-specific subsidies (to finance any costs/losses as a consequence of competing with foreign markets). Thus, world order—as influenced by economic order—is becoming less dependent upon governments and more dependent upon the private sector to maintain aggregate demand.
- It is patently clear the private sector—particularly the component of the private sector that is essentially stateless—is now required to undertake the two-fold burden once held by governments: to maintain aggregate demand and to ensure legal and moral restraints be upheld by all participants in the interdependent economies. Since aggregate demand is difficult at best for the private sector to maintain even within similarly developed markets due to the volatility

of individual and social demands of both utility and luxury, it then becomes an insurmountable obstacle for the private sector to include into the economic markets the vast world populations that for generations have been disenfranchised from the markets. Innovation, production, and consumption are increasingly dependent upon an educated population. Since a vast percentage of the developing world still lacks advanced technological and cross-cultural collaborative experience, the private sector is simply ill-prepared to undertake the two-fold burdens once held by governments.

- Consequently, the objective to integrate the historically disenfranchised into the market economies is not an issue of 'poverty reduction'. It is an issue of labor valuation, employment, and economic interdependency. Poverty reduction can only exist as a manipulable sub-objective of geopolitically-focused governments; their primary objective being the balance of power between states. Otherwise, the concept of poverty reduction is made redundant vis-à-vis employment and economic interdependency.
- The critical questions, then, become: firstly, is the self-deterministic individual capable or even willing to undertake these burdens, to balance the benefit of livelihood with the responsibility of interdependency? Secondly, what defines 'national interest' and 'national identity' in a transnationalized economy? Thirdly, what is to be the role of nation-state governments within the context of transnationalized economies? And lastly, what is to be the definition and application of world order in the context of global economic interdependency?

Regarding the first question of individual self-determinism possessing either the capacity or willingness to undertake the burdens of maintaining aggregate demand as well as legal and moral restraints, it is interesting to note the following exemplary socioeconomic observations. The remaining three questions will be addressed later in this chapter.

- To again view the emergence of CSR and CnSR values and obligations, the institutionalization of values and obligations with respect to balancing multiple social and economic

interests has, in the past, generally focused on the corporate sector. The ‘invisible hand’ of the markets has generally been the sole self-restraining mechanism available to the individual consumer—and the primary flaw of the invisible hand is that specific accountability cannot be identified or upheld (particularly with respect to global market activity). But as the self-deterministic and stateless individual increasingly demands a sense of sovereignty for itself, this same sovereignty cannot only possess benefit; sovereignty must also possess responsibility. The issue, then, becomes how to evolve the unaccountable invisible hand into some form of institutionalization which allows for accountability to be identified and upheld. And more to the point, the responsibility will fall almost exclusively upon the individual to initiate and manage this evolution and accept the responsibilities inherent to individual sovereignty; no institution or government can impose these responsibilities. Society’s desire and commitment to balance benefit with self-restraint must be an a priori condition to any form of socioeconomic benefit/responsibility institutionalization.

- For the sovereign individual to even begin to contemplate the institutionalization of socioeconomic benefit/responsibility, the subjective nature inherent within modern economic markets will certainly require contemplation. To expand on two specific components of the utility/luxury aspect of foodstuffs highlighted earlier: firstly, it is generally recognized that ‘junk food’ is a substantial contributor to obesity. However, not everyone that consumes junk food grows obese. Since consumption of luxury foodstuffs is a subjective act of the individual, how is the individual to be held accountable for his/her actions (particularly with respect to any subsequent impact on social health care or even transportation systems, as examples)? Can any future stateless institutionalization of these types of subjective issues effectively balance access to and limiting access to luxury foodstuffs? And doesn’t the very nature of institutionalization itself place a tangible barrier between the individual and his/her responsibility in making specific and personal moment-to-moment decisions regarding his/her

actions? The second component of the utility/luxury aspect of foodstuffs relates to the corporate sector and employment. Inescapably, as specific markets grow (say, the luxury foodstuffs markets), employment growth and sustainability become vital components to the security of any local community. If social pressure is exerted upon a specific corporation or industry to somehow limit its production of luxury foodstuffs, then employment security (locally and globally) is negatively affected. Some might argue that these shifts within a specific industry are actually beneficial to the long-term vitality of the larger economy (and certainly, there is substantive merit in this view). The issue becomes more complex and vulnerable to social conflict, however, when these shifts occur as a consequence to subjective valuation as opposed to objective valuation. To explain the difference: a subjective valuation shift relating to, again, luxury foodstuffs, presents both society and the economic market with subjective inputs and consequences—each one of these inputs and consequences potentially causing conflict between various segments of society, depending on their subjective points of view (freedom of choice versus social health care, as examples). An objective valuation shift, however, might be exemplified by the reductions or cessations of a specific industry due to pure economic inefficiencies—such as the closing of the non-productive coal mines throughout Great Britain in the mid-1980s, or the reduction of U.S. government military programs as the close of the Cold War. Certainly, social tension as a consequence of these objective valuation economic shifts is just as visible and heartrending as tension caused by subjective valuation shifts. However, objective valuation shifts cannot be avoided for very long (although they are indeed avoided for as long as possible); whereas subjective valuation shifts will almost never be voluntarily initiated by neither the individual nor the masses until some element of socioeconomic catastrophe is inevitable. Thus, again, society's desire and commitment to balance benefit with self-restraint must be a voluntary and a priori condition to any form of socioeconomic benefit/responsibility institutionalization.

- Most would argue that private sector access to mobile phone technology has been of discernible utility and benefit to individuals, industry, and society at large. Yet persistent and rapid evolutions to the mobile phone continue—from including e-mail and digital audio capability to slimmer and more elegant designs. To what extent is the modern mobile phone or its successors a utility, or a luxury? By persistently improving on the mobile phone, new employment opportunities are created, ranging from hardware manufacturing to software development jobs. Still, however, tangible and utility-specific products such as mobile phones impact the environment in multiple ways. In the stateless universe of individual self-determinism and sovereignty, how is the individual to be held accountable to, on one hand, maintaining aggregate demand within economic markets, whilst on the other hand, ensuring legal and moral restraints be upheld by all participants in the interdependent economies? Further, how does any national society operating on a sovereign individualistic basis reconcile its market demand for certain products/services with its necessity for local economic security (such as U.S. citizens purchasing Finnish-made Nokia mobile phones versus U.S.-made Motorola mobile phones)? These two simple examples of foodstuffs and mobile phones illustrate the sheer complexity and subjectivity inherent within economic systems and their impact on all societies. Without the mechanics of governments specifically managing these complex and subjective aspects of socioeconomic behavior—on a transnational basis—how are global societies to find commonality and reciprocity within global markets, thus ensuring world order?
- The purpose of any economic activity is to earn profit. This is true of any large or SME corporation, and even the individual farmer or employee. Indeed, in most Western states, corporate law specifically protects this purpose, even going so far as to prohibit a corporation's directors from any activity that would reduce profits (such as participating in CSR obligations, as an example). Earning profit, then, results in the natural accumulation of capital. Conventional practice holds that this accumulated capital is either reinvested

into the corporation so as to consistently improve its goods/services to meet changing market demand, or distributed to corporate shareholders (dividends) and/or employees (bonuses). How much profit or capital accumulation is too much? Various objective valuation econometric studies have demonstrated when corporate profit/capital accumulation exceeds a certain ratio in proportion to individual consumer levels of disposable income, this imbalance can cause instabilities in the economic market as well as social tension. From a comfortable distance, this issue might appear to be somewhat manageable by imposing certain price ceilings on goods/services that gain high margins of profit and capital accumulation—based, as an example, on specific statistical equations which are triggered if and when imbalances occur. But view this issue more closely: firstly, in a transnationalized economy, how can these triggers be managed within a world of national economies that possess a wide diversity of national interests? And secondly, consider that an increasing percentage of corporate stockholdings are being held by private individuals (say, investing in the capital markets for the purpose of supplementing retirement) as well as institutions (ranging from pension funds to hedge funds). Why should these sovereign and self-deterministic individuals and institutions limit their capacity to benefit from high profit margins and capital valuations? How does the individual voluntarily balance benefit with responsibility?

- Public stock markets are specialized applications of the accumulation of capital. Any corporation can be privately held by a specific core of private shareholders, and thus does not participate in sharing its stock value with the public at large. A publicly-held corporation, however, possesses a variety of benefits and responsibilities by trading its corporate value within the public markets. In its broadest terms, 'stock value' is determined by three socioeconomic influences: (1) the stock value is essentially a 'rating' of a corporation's day-to-day business performance; (2) external market influences (say, the supply/demand for oil) may increase the stock value of one participant (the oil producers/suppliers), whilst may decrease the stock value of another participant

(automobile manufacturers); and (3) 'the commons' may essentially bet on the future rise and fall of the stock value of any specific industry or commodity. These three socio-economic influences highlighted above, serve as an objective valuation mechanism for the day-to-day flow of economic markets (and relative to the third influence, projecting the long-term necessities of the futures' market). However, two subjective issues come to the fore: firstly, capital in and of itself has become a commodity, and similar to the commodity of labor, can be negatively or positively exploited. How does the sovereign individual, as it participates in the act of stock trading, specifically balance the treatment of capital as both a commodity and a tool which finances economic growth? And secondly, in a transnationalized economy where multiple national/regional stock markets interact, how do sovereign individuals from one geographic region make stock trading decisions which balance the maintaining of aggregate demand throughout the entirety of economic markets, whilst on the other hand, ensuring legal and moral restraints be upheld by all participants operating throughout globally interdependent economies?

There was a specific purpose in highlighting the above snapshot observations relating to individual self-determinism possessing either the capacity or willingness to undertake the burdens of maintaining aggregate demand as well as legal and moral restraints. Firstly, these extremely simplified examples clearly illustrate that a deluge of diverse subjective valuation circumstances will place a substantial pressure upon the sovereign individual to choose between what is innate within individual and social behavior and what is more just for the greater good. And secondly, governments have in the past possessed both the burden and the authority (either via democratic or authoritarian means) to balance these complex issues of benefit with corresponding responsibility. As individual self-determinism and statelessness continue to evolve throughout transnationalized economies, however, the authority to manage this balancing of benefit with responsibility will require some form of residence. The reasoned and logical conclusion, thus, is inescapable: *either geopolitical-centric governments, as is determined by*

*their inherent polarizing nature, will continue to contribute to the polarization of global civilizations and thus prevent global market interdependency, thus jeopardizing world order; or individuals will be required—voluntarily—to undertake the authority and responsibility to establish global market interdependency, thus restoring world order.*

This arresting conclusion, if accurate, then, forces an assessment of the present-day capability and willingness of the individual to undertake such a burden. Here, it is interesting to note Ibn Khaldun's assessment of the human condition regarding its capacity to practice self-restraint—and he was unambiguously negative. For Ibn Khaldun, *authority* was one of the four attributes that distinguish humans from animals (the others being *thought*, *labor* and *civilization*), and yet he observed the history of how individuals and societies administered these four attributes. For him, regarding the rural and nomadic populations, the rigors of desert life compelled toughness and puritanical self-restraint. Whereas, regarding urban societies, he viewed individuals as either “urban weaklings” or “savage”, and both living amid the “stupid mass” (Vol. I, 215, 266). Ibn Khaldun hoped governments would rule as uncorrupted representatives of the divine laws, but the realities of the world demonstrated that individual savagery and anarchy were ever-present dangers.

People have no desire for virtue. They have no special interest in virtuous people, and there is a general absence of individual virtue. (Vol. I, 72)

One may compare the swarms of human beings with the swarms of dumb animals, and the crumbs from tables with the surplus of sustenance and luxury and the ease with which it can be given away by the people who have it, because as a rule they can do without it, since they have more of it. (Vol. II, 275-276)

For Ibn Khaldun, the group, the interdependency of the individual, not the individual itself, was history's determining factor for sustaining social cohesion and limiting conflict (Khaldun uses the term *assabiyah*—translated as “group feeling”). Groups with a strong sense of *assabiyah*, and as long as they maintain their sense of identity and solidarity, possess the capacity to sustain themselves as a society. Thus, groups composed of blood relatives naturally possess

the strongest possible ties since *assabiyah* is then based on kinship. Urban settings obviously introduce diversity and pluralism, and thus weaken the sense of identity and solidarity. For Ibn Khaldun, group feeling is the basis for political power and cultural hegemony, whilst unrestrained individualism was a primary source of the downfall of societies, even civilizations. Thus, whilst interdependence within personal occupations provided for a certain amount of social union, societies still required an authority to restrain and a government to coerce the society as a whole. Many of the social upheavals being experienced in Ibn Khaldun's time consisted of power struggles between outsider groups intent to overthrow insider groups whose group feeling was declining due to the luxuries that ruling provided.

It is also important to note that during Ibn Khaldun's time, a substantial percentage of wealth was retained by elites (dynasty, merchants), and that common individuals, on their own, possessed little or no opportunity to amass significant wealth assets. In modern knowledge-based economies, however, literally any individual anywhere in the world possesses the opportunity to earn significant wealth. But Ibn Khaldun's central observations regarding the individual's lack of virtue and the group's dependence upon solidarity is indeed important, albeit uncomfortable. And these observations, if they remain as true today as they did in the past, present a distinct challenge for the self-deterministic individual and world order. Will the sovereign individual endeavor to transcend its inherent lack of virtue and voluntarily undertake the beautiful burden of balancing benefit with responsibility?

Evolution is now taking civilization down its natural path of social and economic change. It appears the self-determinism of the individual is rapidly coming face to face with its own evolution. But is the individual ready and willing to take its place on the seat of sovereign power? And will national governments readily cede their long dynastic hold on sovereign power? Before these questions are addressed, and before the transcendental philosophies of Immanuel Kant are placed into juxtaposition with these questions, an observation gained via the nine-year nation-building case study of Bosnia-Herzegovina provides an additional perspective. Bosnia-Herzegovina is presently caught between its geopolitical designation of being a quasi-protectorate of the International Community and its day-to-day existence being heavily influenced by extremist

elites of ethno-nationalistic interests. Common individuals, prior and subsequent to the 1992-95 conflict, are simply disengaged from any direct responsibility to shape its national future. Instead, individuals are merely focused on day-to-day survival within what they consider to be a fictional state. If one were to visit the homes of private individuals throughout much of Bosnia-Herzegovina, a substantial percentage of these homes would still to this day display private homages to Yugoslavia's past leader Josip Broz Tito who died in 1980. The elderly become nostalgic for the security and pride once enjoyed by the great nation. The young are either disillusioned, disenfranchised, or they have already left the country. Few, if any, are committed to undertake the burden of maintaining aggregate economic demand as well as legal and moral restraints.

As the next section demonstrates, the voluntary acceptance of and commitment to governance responsibilities, requires a synthesis of courage and enlightenment.

***Immanuel Kant & Practical Reason.*** Prior to exploring the observations of the German philosopher Immanuel Kant (1724-1804) in the context of individual self-determinism and global economic interdependence, it might be helpful to first highlight Kant's philosophies in context to the great shifts in thought and politics occurring in his own time.

The Protestant Reformation, and its promotion that *reason* should challenge the Catholic strict adherence and obedience to *dogma*, and thus challenge ecclesiastical supremacy of the Catholic Church (including monarchs who believed themselves divinely chosen to rule human subjects and protect the Church), set into motion not only astonishing shifts in the politics of power and geography, but profoundly opened new vistas in how humankind interpreted concepts of knowledge and consciousness. The tool of reason rose to prominence with René Descartes (1596-1650), who held that by means of reason alone, certain universal, self-evident truths could be discovered, from which the remaining content of philosophy and the sciences could be deductively derived. He maintained these self-evident truths were innate, not derived from sense experience. Writers and philosophers such as Voltaire (assumed name of François Marie Arouet, 1694-1778), and Jean Jacques Rousseau (1712-1778) provided the foundations for the European-wide emergence

of the Enlightenment Age, also referred to as the Age of Reason—and also animated the French Revolution (1789 to 1799). Rousseau believed that a government remains good only when sovereignty rests with the people. He saw the *communal will*, which he called the *general will*, as a force more noble and moral than any individual will. This notion, then, mirrors Ibn Khaldun's 14th century observation of group feeling, *assabiyah*, being more virtuous than the 'savage individual'. Rousseau's 1762 essay, *On Social Contract*, presents this notion: "Since no individual has natural authority over his fellow man, and since force creates no rights, agreements remain the basis of all legitimate authority among men." Others, though, contributed an opposing notion of the human condition, *empiricism*. Philosophers such as Francis Bacon (1561-1626) and John Locke (1632-1704) were inspired by the great leaps in knowledge emanating from technological and scientific discovery, and thus held that all knowledge is based on experience, rejecting the possibility of spontaneous ideas or *a priori* knowledge gained independent of experience.

Immanuel Kant essentially synthesized these two notions of reason and empiricism, recognizing that whilst both possessed elements of truth, neither philosophy, on its own, provided humankind with practical tools with which knowledge could be harnessed in the real world. Kant's *practical reason* held that pure reason was merely theoretical and that incidental experience lacked the 'agony of thought'—practical reason, then, provided humankind with the tools to 'think with clarity' as well as 'act with clarity'. And, most importantly, practical reason provides the civilizational tool to not only assess past and present experience, but also to predict and anticipate future experience. An example: prior to Copernicus and Galileo determining through experiential observation via a telescope the earth was rotating around the sun, Aristotle had observed and reasoned the opposite: the sun was rotating around the earth. Aristotle's early reasoning had for centuries animated the dogma of the Christian faith.

Thus, it can be argued the tools of empiricism and science had disproved both the tool of reason and also the Church. This new discovery, however, in and of itself, lacked four specific and vital components of consciousness: firstly, the discoveries of Copernicus and Galileo—even though they were indeed experiences—did not actually experience anything new or original (all three were looking

at the same sky), they merely gained access to a different perspective of the universe which then allowed civilization to see what had already been seen but misinterpreted, and now reinterpreted through a different perspective. Secondly, empiricism and science can only address the ‘how’, not the ‘why’. Thirdly, the practical use of this new knowledge is not self-evident—this new knowledge, therefore, still requires the agony of thought. And lastly, future experience can be anticipated by correlating the moral and practical lessons learned from the Copernicus-Galileo experience to, as an example pertinent to this thesis, the evolution of knowledge and intention relative to dogmatic systems of national and global economics. The Copernicus-Galileo discoveries challenged the ecclesiastical supremacy of the church, just as geoeconomics might ultimately prove to challenge the supremacy of geopolitical world order. Comprehending both the reason and experience gained from the former may provide foresight to the latter. By using the tool of practical reason and viewing what is seen and experienced every day in the tangible world of economics through a different perspective of nation-building, may allow for a new consciousness to emerge.

The freedom to think for one’s self does not provide freedom *from* responsibility. Immanuel Kant clearly held that as individuals used the tools of reason and experience to think and act for themselves, they must equally possess the courage to uphold a moral law. Further, and importantly, he held this obligation to a moral law should not necessarily be as a result of the state compelling citizens to abide by laws, but that the innate being of the individual agonized by thought should be the compelling force for judgment and duty; the person is self-capable of using its senses of maturity and conscience. Kant’s ‘Categorical Imperative’: “*Act only on that maxim through which you can at the same time will that it become a universal law*”. Essentially, what Kant provided civilization was a secular and practical tool by which all individuals could use to synthesize moral reasoning in context of the exceptionally diverse experiences occurring in the ‘moment-to-moment’ of life.

This notion of the moment-to-moment is critical to the geoeconomic process of interdependency explored later in this chapter. Here, though, Kant identifies individual freedom and responsibility as being symbiotic parts of the whole—the whole being a state of enlightenment.

Kant's philosophies directly oppose those of *utilitarianism* (Latin *utilis*, "useful"), the doctrine that what is useful is good, and consequently, that the ethical value of conduct is determined by the utility of its results. Essentially, in utilitarianism, the supreme objective of moral action is the achievement of the greatest happiness for the greatest number. This utilitarian objective is also considered the aim of all legislation and is the ultimate criterion of all social institutions. Kant's central disagreements with utilitarianism: (a) happiness is not necessarily a state of being which might ultimately be judged as being moral, and thus, (b) to determine a state of 'moral happiness' would still require the use of the categorical imperative.

An example: it is logical to consider a clear majority of persons would intuitively and experientially desire capital wealth, and thus, utilitarianism would view the achieving of capital wealth as moral. Yet, utilitarianism does not address the moment-to-moment actions required to achieve capital wealth and happiness (meaning, the ends do not justify the means). Thus, practical reason is still required to balance the moment-to-moment influences of benefit and responsibility. In more specific terms, Kant describes *enlightenment* as the moment when humanity is going to put its own *reason* to use, without subjecting itself to any outside authority. Michel Foucault further explains Kant's view in *What Is Enlightenment?*:

Kant indicates right away that the 'way out' that characterizes Enlightenment is a process that releases us from the status of 'immaturity.' And by 'immaturity,' he means a certain state of our will that makes us accept someone else's authority to lead us in areas where the use of reason is called for. Kant gives three examples: we are in a state of 'immaturity' when a book takes the place of our understanding, when a spiritual director takes the place of our conscience, when a doctor decides for us what our diet is to be. In any case, Enlightenment is defined by a modification of the preexisting relation linking will, authority, and the use of reason.

We must also note that this way out is presented by Kant in a rather ambiguous manner. He characterizes it as a phenomenon, an ongoing process; but he also presents it as a task and an obligation. From the very first paragraph, he notes that man himself is responsible for his immature status. Thus it has to be

supposed that he will be able to escape from it only by a change that he himself will bring about in himself. Significantly, Kant says that this Enlightenment has a *Wahlspruch*: now a *Wahlspruch* is a heraldic device, that is, a distinctive feature by which one can be recognized, and it is also a motto, an instruction that one gives oneself and proposes to others. What, then, is this instruction? *Aude sapere*: ‘dare to know,’ ‘have the courage, the audacity, to know.’ Thus Enlightenment must be considered both as a process in which men participate collectively and as an act of courage to be accomplished personally. Men are at once elements and agents of a single process. They may be actors in the process to the extent that they participate in it; and the process occurs to the extent that men decide to be its voluntary actors. <sup>73</sup>

Finally, as a consequence of the above perspective of Kant and his practical reason, this practical reason can now be placed in juxtaposition with two other concepts: individual self-determinism giving rise to the stateless citizen, and maintaining aggregate economic demand on a global scale. In short, in the moment-to-moment of globally diverse economic valuations, how can practical reason be used by the stateless individual to anticipate a multitude of experiential and moral challenges inherent within human diversity so as to maintain world order?

***Immanuel Kant & Perpetual Duty, Perpetual Peace.*** Immanuel Kant provides nation-states and the stateless citizen three specific components to consider:

Firstly, the objective to balance the benefits of self-initiative (individual wealth) with the responsibility of self-restraint (commonality and reciprocity) animates a dialectic synthesis leading the individual to agonize with his/her thoughts, and the resulting state of enlightenment enables the individual to balance benefits with responsibility in a state of maturity and clarity.

Secondly, relating to Kant’s view of the individual’s relationship to a group and/or government authority: neither the safety nor aim of the group/government authority should consist in the welfare of the citizens, but rather only in the agreement of the constitution with

the principles of law. Meaning, the group/government authority should not undertake a direct relationship with individual citizens, and thus subjecting them to some imposed definition of welfare, rather, welfare should grow organically from within the citizenry, and then, if warranted, be formalized within the principles of law. An example: the group/government authority should not act on its own accord to impose a tax so as to gain revenue to finance the building of schools. Rather, individuals should possess the courage to agonize with their personal thoughts so as to determine what percentage of his/her wages should be appropriated for the building of schools. By synthesizing Kant's principles of (a) enlightenment being both the benefit of reason and the obligation of critique, with (b) the individual's more organic relationship with group/government authority—the resulting observation is our historical manifestations of governance under both the pre-geopolitical and present geopolitical eras, have been essentially one-sided affairs. Meaning, either the governors believed they bore some unique birthright or divine responsibility to exercise authority over the governed, or the governed happily chose to abdicate to the governors (via democratic elections) the authority and responsibility to govern. Kantian democracy (direct democracy), however, dictates that individuals (independently and collectively) possess the authority to govern themselves utilizing the tools of practical reason. As an act of courage, the attainment of enlightenment (and hence, democracy) is to be accomplished personally. Kantian democracy, then, becomes the perpetual duty of both the person and group. Resultantly, the group/government (itself enlightened by its synthesis with enlightened peoples) becomes essentially a living, breathing, organic entity—where welfare is not a means, an inherent entitlement, but an end, made possible as a consequence of balancing the benefit of freedom with the obligation of self-restraint. Thus, it becomes impossible to distinguish the group/government from the individual and the individual from the group/government. Nourishment to one brings fruit to the other. Disenfranchisement of one brings demise to the whole.

And thirdly, if authority ultimately is expanded beyond the nation-state to include *statelessness*, the synthesis of the above precepts, then, leads to a state of global democratic and perpetual peace. Below, Kant speaks to his vision of perpetual peace within the context of nation-states. In his time, he could not foresee the advent

of the Hypernet providing the impetus for the stateless citizen, but Kant's vision of perpetual peace becomes all the more profound when statelessness is considered.

A State is not to be regarded as a property or patrimony, like the soil on which it may be settled. It is a society of men, over which no one but itself has the right to rule or to dispose. Like the stem of a tree it has its own root, and to incorporate it as a graft in another State, is to destroy its existence as a moral Person; it is to reduce it to a Thing, and thereby to contradict the idea of the original Compact without which a Right over a people is inconceivable.

A state of Peace among men who live side by side with each other, is not the natural state. The state of Nature is rather a state of War; for although it may not always present the outbreak of hostilities, it is nevertheless continually threatened with them. The state of Peace must, therefore, be established; for the mere cessation of hostilities furnishes no security against their recurrence.

But the social relations between the various Peoples of the world, in narrower or wider circles, have now advanced everywhere so far that a violation of Right in one place of the earth, is felt all over it. Hence the idea of a Cosmo-political Right of the whole Human Race, is no phantastic or overstrained mode of representing Right, but is a necessary completion of the unwritten Code which carries national and international Right to a consummation in the Public Right of Mankind. Thus the whole system leads to the conclusion of a Perpetual Peace among the Nations. And it is only under the conditions now laid down that men may flatter themselves with the belief, that they are making a continual approach to its realisation.<sup>74</sup>

The above observations put into sharp relief a wide variety of socioeconomic and philosophic challenges now facing all global civilizations: 1—discerning objective and subjective economic valuations; 2—seeking interdependency of occupations; 3—balancing aggregate economic demand with legal and moral restraints; 4—viewing capital accumulation not as an end, but as a means to animate new opportunities; 5—applying the tool of practical reason in the moment-to-moment; and 6—the co-enlightenment of the

74 Immanuel Kant, *Perpetual Peace, A Philosophical Essay*, 1795

individual and group. *If the self-determinism of the individual is to continue its present course of evolution, it is then inescapable that the sovereign individual will be forced to struggle with these complex and often paradoxical issues—irrespective of the individual's geographic location, cultural/religious identity, nation-state allegiance, or even level of formal education.* This has been the first ordeal of the crucible. The following exploration into the new frontier of quantum economics will now put Ibn Khaldun and Immanuel Kant to the test of the 21st century.

### *The New Frontier of Quantum Social & Economic Value*

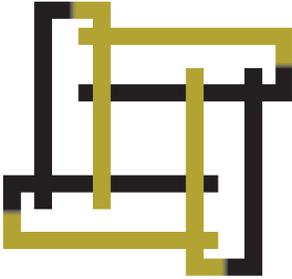
**The Quantum Potential.** Earlier in Part 1, an example of the modern integration of self-organizing *ad hoc* collaborative communities and systems with global market economies was placed in perspective of the 'old economy' structured nation-building process—this along with other examples, illustrate the International Community has been short-sighted, even negligent in its design of the nation-building process. Now, however, the illustration of the 'we-think' economy will be taken even further to explore the emerging frontier of quantum economics and its potential impact on balancing aggregate economic demand with legal and moral restraints. Quantum economics may possess the astonishing potential to finally unite all individuals and civilizations by unleashing an almost unfathomable source of human and economic value which presently lies dormant, even feared. First, however, it is necessary to explain quantum science in general.

Quantum science, like the discoveries of Copernicus and Galileo, has provided humankind a different perspective, and thus understanding of the physical universe which was not previously perceived. All matter in the universe (that which occupies space) is composed of atoms, and atoms, in turn, are composed of elementary or fundamental particles. In its most basic description, quantum science is the study of how these particles (or quanta) interact with each other and with energy. Pertinent to this exploration of economics, the following concepts of quantum science might provide an additional perspective to individual and group interdependency—and more specifically, to how economic interdependency interacts with the energy of the mind:

- *Entanglement.* Classical laws of physics, which helps humankind to define and understand physical reality, works well when applied to large objects such as car engines, high-rise buildings, even billiard balls. In classical laws of physics, the maxim “no two objects of mass can occupy the same space” is universally accepted as not only true, but unbreakable. On the sub-atomic or quantum level, however, everything humankind has accepted as reality is simply shattered. On the quantum level, not only can a single particle be both a particle and at the same time a wave of particles, a particle can exist in multiple places at the same time (so far scientists have observed a single particle occupying just a bit more than 3,000 different places at the same time). And more to the point of economics, particles that were once joined to each other, then separated from each other by great distances, react to each other instantaneously—faster than the speed of light—and classical laws of physics say nothing can travel faster than the speed of light. By studying these sub-atomic particles, science is beginning to understand that all matter in the universe—including the human species—is interconnected on the quantum level... nothing is separate... all life and all physical objects are ‘entangled’. This means, economically, when a single individual from one part of the world conceptualizes an idea—someone else from the other side of the world intuitively understands how to exploit that very same idea so as to generate economic value. Our classical view of reality tells us this is science fiction. But quantum physics shows us that it is indeed possible. All we lack to see this quantum potential of economics is the courage to see and the ‘plug-and-play’ infrastructure to give life to these latent ideas. As an aside, the original Latin definition of the word ‘idea’ is *idein*, “to see”. Quantum science, however, is still unsure as to how exactly to map these entanglements due to the very fact that by simply observing particles in their quantum states, the particles change their nature; the act of observation, in and of itself, changes the particles. The following Figure 9 is one of various models that attempt to illustrate the topology of quantum particles in their entangled state. This Brunnian model will be used later in this text

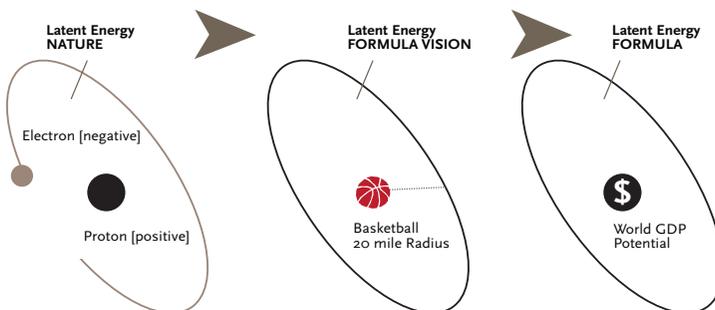
as a starting point for constructing a geoeconomic model of interdependent livelihood.

Figure 9 - Entangled Quantum State Topology: Brunnian Model



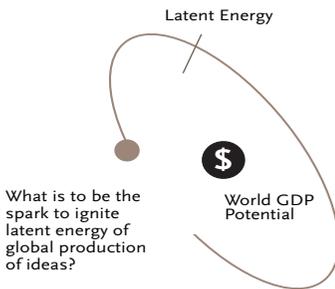
- *Energy*. Classical science (and our common senses, our experience) tells us that a solid table is just that: solid. But again, quantum science has revealed that what we perceive as ‘solid’ is, in reality, mostly ‘emptiness’. On the quantum level, solid objects are comprised of atoms. But atoms are mostly ‘empty’. Figure 10 illustrates a simple hydrogen atom; a negatively-charged electron circling a positively-charged proton—and what appears to be ‘emptiness’ between the electron and proton is actually filled with ‘latent energy’... energy waiting to be ignited and used.

Figure 10 - Hydrogen Atom in Comparison to Basketball & World GDP



It may not appear that this emptiness—latent energy—is of any consequence to the real world. But if two different perspectives of this latent energy were to be considered: firstly, so as to grasp the sheer physical dimension of the ‘empty space’ between the proton and electron, assume the proton is the size of a basketball, then the electron would be orbiting a full 20 miles from the basketball-sized proton. The 2-dimensional area of a circle the size of a basketball with a radius of about 4.7 inches is 69.3 square inches. Thus, the 2-dimensional area—the amount of latent energy potential—of this giant atom with a radius of 20 miles (1.3 million inches) is an vast 5 trillion square inches. Secondly, if the proton’s area represented the world’s total gross domestic production (about US\$ 55.6 trillion), then the ‘empty space’ of the atom—the amount of latent energy potential—would represent an unfathomable innovation, production, and consumption potential of US\$ 70.4 quintillion.

Figure 11 - What is the World GDP Potential?



By viewing economics through the prism of quantum science, it becomes possible to view innovation, production, and consumption not as *mechanistic* attributes of supply and demand, but rather as *organismic* sparks of human energy. The human brain is capable of processing 400 billion bits of information, yet our non-quantum state of awareness processes only an average of 2,000 bits. This gap in how we utilize our very minds represents an astonishing potential for both the human species as well as global economics.

Certainly, it cannot be disputed that the world's civilizations are not exploiting the totality of their human potential. The question becomes, then: why not? In one version of 'reality', Muslims, Christians, and Jews have drawn lines in the sand between themselves; Americans and Russians, Whites and Blacks, the thin and obese, rich and poor, too, have drawn their lines. Powerful militaries are created precisely to defend the notion of 'separateness'. One identity is prepared to kill another identity wholly because of separateness. In another version of reality, however, quantum science has demonstrated that on the quantum level, all of life is entangled, not separate. The two realities, then, clash. Is there a process where individuality (identity) and group (commonality, reciprocity) can, themselves, become entangled? Is that process already available to us... right now lying dormant within our very minds?

**The Quantum Identity.** The second half of the twentieth century brought the emergence of large-scale sociopolitical movements—Black Civil Rights in the U.S., 'First Nations' indigenous peoples throughout North America, feminism as well as gay and lesbian liberation throughout much of the world, for example—based in assertions of the injustices imposed upon particular social groups. These sociopolitical movements are animated by and promote a philosophical body of literature that engages questions about the nature, origin and futures of the diverse identities being defended. *Identity politics* as a means of individual-to-group organization is animated by certain social groups perceiving themselves oppressed by either the state or society at large. Iris Marion Young, in *Justice and the Politics of Difference*, 1990, posits that the very identity of certain individuals makes them particularly vulnerable to cultural imperialism (including stereotyping, erasure, or appropriation of one's group identity), violence, exploitation, marginalization, or powerlessness. Hence, the application of identity politics purports to reclaim, re-describe, and transform the larger definitions and practices of group membership. Charles Taylor, in *Sources of the Self: the Making of the Modern Identity*, 1989, argues that the modern identity is characterized by an emphasis on its inner voice and capacity for *authenticity*. However, the *politics of difference* is caught in a paradox, as Sonia Kruks observes in *Retrieving Experience: Subjectivity and Recognition in Feminist Politics*, 2000:

What makes identity politics a significant departure from earlier, pre-identarian forms of the politics of recognition is its demand for recognition on the basis of the very grounds on which recognition has previously been denied: it is qua women, qua blacks, qua lesbians that groups demand recognition. The demand is not for inclusion within the fold of “universal humankind” on the basis of shared human attributes; nor is it for respect “in spite of” one’s differences. Rather, what is demanded is respect for oneself as different.

As William Connolly observes in *Identity\Difference: Democratic Negotiations of Political Paradox*, 2002, any claim to identity by exploiting the politics of difference cannot avoid the self-made trap to organize itself around a constitutive exclusion:

An identity is established in relation to a series of differences that have become socially recognized. These differences are essential to its being. If they did not coexist as differences, it would not exist in its distinctness and solidity. Entrenched in this indispensable relation is a second set of tendencies, themselves in need of exploration, to conceal established identities into fixed forms, thought and lived as if their structure expressed the true order of things. When these pressures prevail, the maintenance of one identity (or field of identities) involves the conversion of some differences into otherness, into evil, or one of its numerous surrogates. Identity requires differences in order to be, and it converts difference into otherness in order to secure its own self-certainty.

The irrationality of identity politics, then, produces two consequences:

- What has been presented as authentic identity to the individual or group is in fact already defined by its opposition as other, or nominal identity (acting or being something in name only, but not in reality). Attempting to reclaim such an identity as one’s own merely reinforces its dependence on its opposition, and further reinforces an oppressive hierarchical organization of society.
- Any sociopolitical movement animated by its pronounce-

ment of separateness so as to somehow ultimately gain inclusion essentially confuses the concepts of uniqueness and significance—and by so doing, minimizes its opportunity to contribute that uniqueness and significance to the whole of society. This notion will be discussed a bit later in the text.

Aside from highlighting identity politics and its irrational manifestations, the task here is to peer below nominal identities so as to gain insight into the authentic or actual identity of the person. Many individuals within a society often misinterpret what is and what is not the cultural identity of their civilization and even their own personal identity. Consequently, individuals are extremely reluctant to alter their personal interpretations of cultural identity in fear their interpretations might be erroneous—which perhaps could invalidate both their individuality and their ‘place’ in the group. From time to time, societies may propagate a ‘tradition’ as a symbol of cultural identity, but again, these may be nothing more than nominal identities. Three day-to-day examples of this:

- Firstly, one of the quintessential symbols of American culture is the beloved game of baseball (but, in point of fact, this sport had its origins in England). Recently, however, the sport of baseball has been growing in both popularity and competitiveness in many other countries, even to the extent that the Japanese team recently won the world championships ahead of the U.S. team. So, does this mean that American culture is being diminished, even threatened? Or, conversely, does this mean that America is again forcing other nations to adapt to all things Americana? Or, from a purely idealistic viewpoint, is the more real asset of the game of baseball its indelible innocence, its graceful power, a comforting reminder of times passed? These more intangible assets transcend borders, diverse cultures, even generations. As a consequence, what is the individual’s interpretation (or misinterpretation) of cultural identity with respect to the game of baseball? If an American individual was visiting Japan, and there attended a baseball game, what would likely be going through the mind of the American individual? Would the individual be more likely

to view the two cultures of America and Japan as separate, or as entangled?

- Secondly, air flight controllers at Paris Charles de Gaulle International Airport, still today, communicate exclusively in the French language to the thousands of international flight crews embarking and disembarking Paris air space to and from destinations all over the world. Over the years, several air travel accidents have occurred at the Paris airport, many of them specifically due to language miscommunications between French flight controllers and international flight crews. The use of the French language at the Paris airport, even though English is typically the universal language used in almost all international airports, is specifically mandated by the French government as a specific political proclamation of the French identity and culture. In this case, however, this political proclamation is not one of an actual identity, but rather is one of a nominal identity. The difference between the two occurs when the essence of a civilization is tangibly threatened in its existence. Logic dictates that French air controllers conducting their vital work in a language other than their native tongue so as to be conducive to effective global communication and air safety is not likely to threaten the French culture or identity. However, if this same example is viewed from another perspective: as 'globalization' continues its inevitable evolution, each of the world's diverse cultures (like the French) are often (and rightly) concerned as to how to balance the competitive demand to globalize and standardize with the maintaining of the uniqueness of its culture. Thus, most nation-states become entrenched in taking either an outright aggressive or a 'passive-aggressive' posture to defend their culture (such as the French air controller 'passive-aggressive' posture). Most cultures simply do not understand how or even why to view the act of globalization in a totally different perspective: an opportunity to exploit the benefit of entanglement and undertake the reasoned responsibility to spread what is most precious and noble of their unique culture throughout the innovation and production components of market economies. In the case

of the beautiful French language, which would be a more rational and effective use of its deep heritage: to cling to passive-aggressive posturing for its air controlling policies, or to globally exploit its passion and romanticism in musical vocalists such as Jacques Brel, Georges Brassens, Charles Aznavour, and Edith Piaf, to name only a few? Language, in its essence, is the embodiment of a culture—a symbol, a signifier of an innate quality that transcends mere symbols. And yet, individuals and political institutions consistently mire themselves in the separateness of their symbols, rather than celebrate in the diversities that entangle them.

- Finally, there was a time when American schoolchildren, like myself, began each day in class by saluting the American flag and solemnly repeating the Pledge of Allegiance. This ritual of culture has been somewhat diluted over the years. Does this mean that America's 'nationalistic' culture is diminishing? For several weeks after 9/11, Americans patriotically plastered their front lawns with American flags and their car bumpers with American flag decals, and even initiated a protest against French fries. But now, some years after 9/11, the flag waving is back to a normal state of moderation. One of the reasons the U.S. courts have traditionally supported the legality of flag burning is that flags not only represent states, they represent ideals—symbols of a deeper nature. Thus, the cultural identity of America is not actually constituted within the material flag itself, but rather in the deeper ideals to which the flag can only provide a representation (including the ideal of disagreement and debate, which protects the ideal of individuality). So the question becomes: after 9/11, what were Americans really trying to communicate of their deeper culture and heritage existent beneath the symbols? Were flag waving individuals in rural America attempting to communicate with themselves and urban America that rural and urban was as one? Or were Americans, en masse, attempting to communicate to the rest of the world, including Muslims, the most precious and noble essence of America is its courage to explore—and this very essence to explore is not really unique at all, that all the human species are entangled together and endowed

with insatiable curiosity? In short, was the flag waving an expression of separateness or unity? Earlier in Part 1, it was observed that suicide in the context of terrorism has historically been utilized as a specific tactic; that death is viewed as a sacrifice to be made toward realization of a specific political goal. But the September 11 terrorists saw death itself as the goal, martyrdom as the highest form of worship to God. The 9/11 terrorists, it has been argued, misrepresented their Muslim culture and heritage founded on peace and mystery. Upon reflection, it can also be argued that mere flag waving and protests against French fries misrepresented the American culture and heritage founded on industry and curiosity. These actual identities of peace, mystery, industry, and curiosity are too easily subjugated by the nominal identities of 'us' versus 'them', Muslim versus Christian, or any form of tribalism. It would be interesting to ponder what the world would look like if the dynamic negatively and positively charged particles of peace, mystery, industry, and curiosity were to be seen in their truer reality of singularity and entanglement.

As can be discerned from the above three day-to-day examples, traditional symbols of identity can too easily be transmuted to become identity itself. Further, as illustrated by the observations made earlier regarding identity politics, nominal identities can malevolently manifest themselves into formal sociopolitical, government and international relationships, often exacerbating tensions within and between states. To view systemic manifestations of nominal versus actual identities: many of the world's nations have evolved their form and function of governments over several generations. Most Western civilizations have adopted a system of secular governance (a constantly shifting in balance relationship between the governors and the governed) that operationally and institutionally protects, or separates the two great spheres of church and state. Particularly in early history, one of the many influences for this secular evolution over time is that monarchs thought themselves to be 'divinely' appointed to their positions of power, and thus, obliged to protect equally church and state. As democracies took root, and large swaths of the general public became more educated and pros-

perous, these divine inheritances were increasingly seen by the public in a wider, more reasoned context, and challenged.

Many historians have often speculated that World War II, with respect to the Japanese involvement, would have ended years earlier than it did specifically because the Japanese Emperor (Hirohito) [the Japanese word for emperor is *tennō*, literally “heavenly sovereign”] would not, because of his claim of divinity, agree to surrender to the Allied Forces. However, even within largely secular relationships between the governors and the governed, governments can sometimes provide for religious institutions to either directly or indirectly influence government policy. Whereas France is fairly robust in its strong separation of church and state (which tends to animate ‘nationalistic’ values), the U.S. has often allowed voices from religious institutions to influence policy (which tends to animate personal values). Whereas various Muslim majority states generally institute a body of laws specifically defined in Islamic holy texts (Qur’an) (which tends to animate strict adherence to social norms), other states have developed a process which translates the essential ‘spirit of the law’ (God’s Law) into a secular codification of laws (Man’s Law) (which tends to animate reasoned flexibility to social norms). Clearly, a cultural identity which manifests itself into its very laws, and conversely, which manifests its laws into its very culture—is a complex fabric woven into the psyche of all civilization. This complex fabric, then, is perhaps closer to identifying their actual identities than flag waving or games of baseball, but still does not yet truly succeed in identifying the deeper identity of a person or society. A fabric of laws is what stabilizes or even controls society, but laws, in and of themselves, are still only symbols of identity. Thus, when tensions arise within and between states, any resulting dialogue or debate is still merely focused on symbols. Nation-states still have yet to define themselves beyond the symbols, beyond the signifiers.

An example of the exaggeration of symbols might be the multiple occasions in which the U.S. government has refused to remit its share of annual operating funds to the United Nations. By withholding these funds, the U.S. attempts to impose its religion-influenced position that condoms should not be an alternative in the global management of the AIDS epidemic. But on the other hand, the U.S. often becomes frustrated with the U.N. when decisions critical to

the ‘national interests’ of the U.S. are not rapidly supported (such as the 2003 U.S. invasion and occupation of Iraq). And yet, another side to the issue relates to the notion that the U.S. suffers a long-standing schizophrenia complex with respect to the U.N.—the U.S. demands the rest of the world adhere to international laws, yet the U.S. often eschews being held accountable to these same international laws (the Kyoto Treaty on Global Warming, the International Criminal Court, etc.). In all this symbolic and geopolitical positioning, three vital components of civilizational identity have long since become lost to all sides of the dialogue:

- The recognition that all nation-states—their peoples and their economies—are interdependent; none are superior to the other because none are excluded from the moral duty to balance a civilization that benefits from self-initiative with one that bears the responsibility of self-restraint.
- The recognition that all civilizations and all peoples—on the quantum level—are not captives to a world ordering system defined by separateness, but rather are an entanglement of individual and community.
- The recognition that all individuals perceive their knowledge of personal and group identity almost exclusively *a posteriori*, after the fact, from external stimuli (such as religious doctrine, social norms, and the like). Actual identity, however, is derived from a synthesis of *a posteriori* and *a priori* entanglements of consciousness.

These three non-egoistic ideals, however, are easily discarded by the *realpolitik* of international relations. And yet, these non-egoistic ideals are the most potent and transcendent possession of humanity, and undoubtedly, they pose the gravest of all challenges for world order. Upon any future stage of global debates regarding the development of some alternative to a polarizing geopolitical world order, all societies will have to be cautious as to how these complex issues of identity are confronted. It would be counterproductive, even threatening, for diverse states to find themselves in severe disagreements over what might be mere nominal aspects of their deeper identity. To avoid these misrepresentations, a deeper recognition of identity is imperative. Thus, to seek a deeper recognition of identity, a complex series of questions and realizations now become crucial

for all civilizations to explore—not only in relationship to the operational designs of international relations *per se*, but more generally in relationship to how societies innately organize themselves (socially, politically, and economically). A beginning point for these far-reaching questions and realizations might include:

- Whether the state has an end in and of itself (*Selbstzweck*), or simply serves as a means to enable individuals to attain their ends?
- Whether the nation as a caretaker institution of nation-peoples is an end or a means? That is to say, whether common identities of ethnicity, language, or even religious beliefs are enabled by some institutionalism of a nation, or are *a priori* requirements for a nation to even be established (and thus, propagating the conventional ‘us versus them’ notion)? Again, does ‘common identity’ derived from ethnicity, language, or religious beliefs truly represent a person’s actual identity, or are these common identities, themselves, merely symbols of identity? Another way of positing this question: are you your language, or are you something more than your language? If indeed ethnicity, language, and religion are only symbols of identity, then it becomes a realization the concept of nation is both a subjective and inauthentic artifact of civilization.
- Realizing the nation-state is an artificial and political being, which is concerned not only with the making and administration of essential laws for the security of private rights and responsibilities, but also with prolonging its own hold on power—a power specifically focused to define or limit various aspects of civilizational identity such as ethnicity, language, or religion (again, possibly subjective and inauthentic identities).
- Realizing the artificial and political being aspect of nation-statehood—due to its very artificiality—is a rather limited and limiting influence upon the individual, both domestic and foreign. When the institutions, machinery, and processes of the political being are applied, an artificial barrier of ‘nation’ is erected between otherwise entangled intellectual and economic interests of common individuals, no matter their geographic location.

- Realizing, by being held captive and obedient to inauthentic identities of nation-states, ethnicity, language, and religion, all civilizations have elevated the purpose and meaning of day-to-day existence to value and prioritize the physical manifestations of human consciousness in relation to basic survival. In the main, civilizations tend to give greater value to science than art; technological advancement of the community over interdependency with Nature; practicality over emotion; logic over intuition. Thus, every aspect of knowledge, every act, every conscious thought, is seen and manifested through this subjectively prioritized prism.
- Realizing, by giving priority to basic survival, civilizations construct for themselves two specific and separate spheres of day-to-day existence: firstly, a sphere of innovation, production, and consumption that can only be made tangible by the division of labor—which both separates individuals from one another as well as reinforces the notion of ‘survival of the fittest’. Secondly, a sphere of power which consistently focuses on protecting one group from another—which, again, both separates individuals from one another as well as reinforces the notion of ‘survival of the fittest’.
- Realizing the Achilles’ heel of a geopolitical and polarizing process of world order is that this artificial process consistently fails in its long-term aim to secure the general will and exploit the economic potential of all peoples—and thus, consistently reverts to its short-term aim of basic survival, and more specifically, the survival of the fittest.
- Realizing the assorted collisions now occurring: the weakening of geopolitical world order, the rise of the gray markets and organized corruption, the economic failures of more than 100 nation-states, the economic asymmetries between power states and developing states, the weakening of the earth’s ecosystems, the rise of social and economic tensions within even the power states, the rise of individual self-determinism (often, at the expense of the community), and the rise of *ad hoc* collaborative communities and their statelessness. As a consequence of these assorted collisions, the two spheres of existence constructed by conventional organizations of civilization (economic value as defined via

division of labor/paternalistic use of power) are beginning to collapse.

- Realizing the complexities and subjectivity surrounding the evolutions of sovereignty and identity as discussed above—and how these issues of individual self-determinism impact subjective and objective valuations, the maintenance of aggregate demand, and the upholding of legal and moral restraints.
- Realizing the organismic nature of how personal value, wealth creation, societal welfare, and international relations all share one specific common thread: interdependent livelihood (or from the quantum perspective, entanglement of ‘mind-energy’).
- And finally, realizing the non-existence of global processes or institutions which would serve as some type of dynamic infrastructure through which interdependent livelihood could be facilitated and world order maintained.

Two final and overarching questions come to the fore. And as a result of addressing these two final questions, all of the questions and realizations outlined above will be synthesized into a new model of personal and group interdependency.

- What is actual identity, relative to both personal and group identity?
- Then, how can these diverse actual identities coexist on a global scale to the degree that world order can be maintained?

To address this first question of actual identity, three separate concepts will be used to synthesize a response: (a) confronting misrepresentations of language and perception, as observed by British-born U.S. philosopher Alan Watts; (b) confronting misrepresentations of knowledge, as observed by British essayist James Burke; and (c) confronting the life-task, as observed by Martin Luther and the Protestant Reformation. The ultimate synthesis will result in identifying actual personal and group identity as a symbiosis of the innate being (its uniqueness and significance) and its entanglement with other innate beings (also unique and significant). That specific moment where one innate being entangles its self with other innate beings is what produces ‘identity’. In short, ‘identity’ cannot exist

in isolation; only entanglement produces identity. Alan Watts (1915-1973), observed in a 1973 lecture, *Symbols and Meaning*: “Language contains innumerable ghosts. Everybody that speaks a language at all, has underneath the surface of the language, certain basic assumptions which are usually left unexamined.” He goes on to provide a series of examples:

- A carpenter makes a table out of wood; a potter makes pottery from clay.
- But is a tree made of wood? Is a mountain made of rock?
- The tree **is** wood. The mountain **is** rock.

Watts’ purpose in highlighting these examples of language peculiarities is to observe that humankind (at least, Western civilizations), since Aristotle, has defined its world (and thus, its languages) around two separate principles of physical existence: form and matter. The table (form) is made of wood (matter). But what is matter made of? As the earlier section describing quantum science has observed, matter itself is made of smaller bits of matter... with a vast space of latent energy surrounding these smaller bits of matter. But as civilizations describe the table (form) in their day-to-day existence, included into the descriptions are neither the smaller bits of matter nor the latent energy surrounding the smaller bits. Resultantly, when civilizations describe the table (form) as being made of wood (matter), they are essentially misrepresenting form and matter, as well as propagating misunderstanding from one generation to the next. If this logic, then, were to be applied to descriptions of the human being itself, then civilizations are forced to recognize that: (a) bodies (form) tend to be conceptualized as being made of bone, flesh, blood, etc. (matter); (b) minds (or souls, or spirits) tend to be conceptualized as being something separate from bodies; and (c) as a consequence, the treatment of bodies (by physicians) is separated from the treatment of minds (by psychologists) and separated from the treatment of souls (by religious leaders). In the 21st century, civilizations are still using the outdated understandings of how form and matter were conceptualized over 2,300 years ago as being separate from each other, and this concept of separateness was ossified into a language which has been passed down the generations. Language, or misuse of language, colors how the world is viewed, which then colors how civilizations live in the world. These

misconceptions of language, then, color the very essence of identity. In part because language is often fraught with misconception, and in part because an individual is more than the sum of his or her parts, Watts' essential observation of self-identity: "*Trying to define yourself is like trying to bite your own teeth.*"<sup>75</sup>

James Burke has spent a lifetime observing that civilizations erect, then maintain, institutions and ritual around what they believe are certain 'truths' revealed by 'knowledge'—and these institutions and ritual serve the primary purpose to preserve conformity and obedience within society. In his work, *The Day the Universe Changed*, Burke observes the following:

We are what we know. And when knowledge changes, then, so do we.

An example Burke uses to illustrate how civilizations change relates again to Copernicus-Galileo and their observations that the earth rotates around the sun, rather than the converse as previously indoctrinated by the Ptolemaic-influenced Catholic church. The previous reasoning dictated Earth was at the center of a uniformly structured universe, and the church had further reasoned this Earth-centric positioning was as a result of a divine plan—thus, Man's 'purpose' of life was to see himself as the center of God's orderly creation, and act obediently to God's Laws (with earthly authority centralized in the church). But when the knowledge radically changed to reinterpret the structure of the universe as being non-uniform, solar-centric, even random, the doctrines of the church specifically designed to maintain conformity and obedience, as well as the church's central authority, were in one breathtaking moment challenged by the new knowledge gained through a telescope.

But not only was the institution of the church irrevocably altered by new knowledge, the very identity of the human species changed: instead of being at the center of creation and the universe, humankind was forced to adapt to the idea Earth was just one of billions of

---

<sup>75</sup> An even more complex criticism of language can be found in deconstructionism (textual analysis): a method of analyzing texts based on the observation that language is inherently arbitrary (example: the simple phrase "what's the difference" can be interpreted in multiple ways, from a statement of argument to a statement of resignation, and thus no single version of truth can be derived from language itself). Proponents of deconstructionism are Jacques Derrida, Roland Barthes, Michel Foucault, et al.

planets, the human species was just one of innumerable species, and that it was surrounded by chaos. But civilization's yearning for order and its fear of chaos persists still. Even though much of Western civilization is possessed with insatiable curiosity, and continues to ask questions about the universe, the rationalism which underpins the curiosity and questions is still focused on finding some ultimate truth, some deeper meaning to life. In other words, the human species is not simply curious—it is curious for a specific reason: to find and maintain order amidst chaos.

As a consequence of this rational curiosity, civilizations have separated its structures and institutions to create artificial barriers around how and when knowledge is managed. Educational systems are separated from homes, businesses, and hospitals. The infirm and death itself are separated from the day-to-day existence of the healthy. Justice and government systems are separated. Even science itself is separated from the common citizen. When structures and institutions are made separate, the consequences are that individuals have little capacity to synthesize the knowledge gained by the institutions—and without this capacity to synthesize knowledge, individuals and communities are ill-prepared to think and act with clarity, and thus courageously assume their personal social responsibilities, as Kant also observed. Beyond its inability to synthesize knowledge, civilizations often yearn for order to such a degree that old institutions are retained even when they are no longer relevant. Representative democracy is an example of this.

Western civilizations have preserved representative democratic systems originally intended for a time when only the few could travel to the centers of political debate to speak for the many. With the advent of mass publishing and now the Internet, direct involvement of all citizens in the political debate could easily replace the institutions and centers of power cosseted within representative democratic systems. We have, herein, presented another example of an old institution being retained even as it has grown irrelevant: geopolitical-centric world order. Burke also observes that even though they have constructed social ordering and standardization systems based on knowledge that is ever-changing (and hence, incapable of being truly standardized), civilizations have built great militaries that can reach even into space for the purpose of protecting their version of order, their version of knowledge and truth. Conse-

quently, it can be observed—as Kant and quantum science have also observed—knowledge as well as our systems of order are both subjective and arbitrary. Militaries, then, are essentially protecting ideas and ideals that are nothing more than arbitrary. Burke makes two final observations:

The way we view things now, comes from the past. Many of the institutions and attitudes we have originated in the past—born of different answers to different questions, in different times with different problems. But they continue to exist, still operate—modified, but basically the same. Still affecting us, like living fossils. Even in a world of constant change like ours, many of those systems that control, organize our view of things, the way we do what we do—are outdated. So why do we keep them? We are reaching the stage where it is not a matter of what novelty and change the future will bring next—but what kind of future we care to invent.

Martin Luther and the Protestant Reformation began to shed a revealing light upon the nexus of religious and secular relationships interacting throughout the individual, labor, and wealth—and this concomitant relationship continues to evolve in the 21st century. Throughout much of the Middle Ages, *seigniorialism* was the prevailing system of political, economic, and social relations between seigneurs, or lords, and their dependent farm laborers. England's King Alfred decreed that every man is to have a lord, and throughout medieval Western Europe seigniorialism was the norm. Agricultural laborers were known as *serfs* (Latin, *servus*, servant or slave) and were legally bound to reside and labor on the land owned by their lord. The collapse of strong central government experienced in the 9th century accelerated the development of the seignury as the principal unit of political authority and economic production and consumption (primarily agrarian) on the local level. In England, seigniorialism existed from about the 10th to the 16th century.

Throughout the rest of Europe, however, seigniorialism persisted—the seignury in France was abolished only with the French Revolution in 1789, in the Austro-Hungarian Empire in 1848, and in Russia only in 1861. Seigniorialism and serfdom might still have persisted had it not been for the several waves of bubonic plague that decimated about one-third of the European and the Mediterranean

populations. The serf's non-free status did not necessarily prevent them from gaining the beginnings of wealth. Serfs, taking advantage of the vast shortages in labor caused by the plague, commanded cash payments for their labor.

Previously, only those of the privileged classes—royalty, clergy, merchants, and the like—possessed assets of wealth (real estate and capital), but with peasants now accumulating capital wealth, the relationship between the classes became increasingly tense. As per capita wealth increased, landlords and merchants began to feel the challenges of labor competition and diminishing profits, and governments were forced to react to the socioeconomic disruption caused by plague. Initially local governments, then state governments (monarchs) attempted to regulate the movement and price of foodstuffs as well as wages paid to laborers. The English Statute of Laborers of 1351 tried to hold wages at pre-plague levels. Similar statutes were passed in various parts of France, Germany, and Italy. Landlords and governments tried to collect higher fees and taxes from tenant farmers as a way to increase declining incomes. Unrest among the peasants was a principal cause of the English Peasants' Revolt of 1381, regarded by historians as the first protest of common people in English history, and increasingly, economic and political unrest spread throughout most parts of Europe during the second half of the 14th century. This then-evolutionary process of capitalism and its new inclusion of common people now serves as the backdrop to the emergent influences of Martin Luther and the Reformation movement—and finally to the wealth of nations and the stateless individual.

German theologian Martin Luther is perhaps best known by his public condemnation of the Roman Church's practice of selling indulgences <sup>76</sup> in 1517. His *Disputation on the Power and Efficacy of Indulgences*, popularly called the *Ninety-Five Theses*, consisted of 95 propositions that established a theological basis for opposing indulgences (not merely the sale of indulgences, but the very practice of

---

<sup>76</sup> *Indulgence*, in Roman Catholic practice, is the full or partial remission of temporal punishment for sins that have been committed, but forgiven by God. It is granted by ecclesiastical authority and is considered to be a special form of intercession made by the church's congregation through its liturgy and prayers for the reconciliation of one of its members, living or dead. During the Middle Ages, abuses surrounded the practice of granting indulgences—the indulgences were often sold for cash, and could also be purchased in advance of the commission of a sin.

indulgence itself). At the *Diet of Worms* (diet, or legislature meeting) of the Holy Roman Empire at Worms in Germany in 1521, Luther was commanded to recant his statements, but he refused, asserting that he would have to be convinced by Scripture and clear reason in order to do so and that going against conscience is not safe for anyone. Consequently, Holy Roman Emperor Charles V issued a decree declaring Martin Luther a criminal and banned Luther and his writings. Pope Leo X, on January 1, 1521, issued a papal bull excommunicating Luther from the Catholic Church. By attacking the issue of indulgences, Luther was really attacking the entire theology and structure of the Catholic Church.

According to the Church, indulgences took their existence from 'surplus' grace that had accumulated through the lives of Jesus, the saints and martyrs. The purchase of an indulgence provided the buyer access to this 'surplus' grace, and thus freeing him from the earthly penance of a particular sin, but not the sin itself. Luther's response was that neither indulgences, nor sacraments, nor even the 'good works' and servitude of the individual could ensure salvation; only faith itself could make salvation possible (salvation was possible, but not guaranteed; God alone grants salvation or damnation). For the wealthy, Luther's teachings was a way to keep their wealth, yet still be given a chance for salvation without paying homage to Rome. For the poor, Luther offered individual dignity and respect. Whereas the Roman Church commanded conformity and obedience of people operating as a group within a Church, Lutheranism (and Protestantism in general) introduced rationalism and reason into the liturgy, which meant that faith was now something individual and personal—open to interpretation and conscience.

If the labor shortages caused by the reoccurring waves of the plague began the economic and political process of freedom for the common individual, then the Protestant Reformation began the common individual's spiritual freedom. Whereas previously, a peasant may have labored primarily to survive—any leisure time spent in relaxation or prayer with family and friends—increasingly, peasants began to reduce leisure activities to appropriate additional time to produce surplus goods to take to market. With common people not simply accumulating wealth as a means to survive, but seeking to acquire wealth as an end itself, Martin Luther and the French theologian, John Calvin, were careful to not specifically support the

concept of capitalism *per se*, but still to provide theological guidance to those acquiring wealth. Both Luther and Calvin rationalized labor and wealth in two practical ways: firstly, they rationalized free enterprise by arguing that certain men are imbued with the spirit of adventure and acquisition, and this was the correct spirit. What has often been called the *Protestant Work Ethic* (Max Weber) essentially advises to work hard; be thrifty, sober, and abstain from frivolity; save what has been made; and reinvest any profit in order to increase wealth.

The second theological application to labor and wealth was what Luther termed a person's *calling* or *life-task*. Whilst some individuals seemed covetous, slothful, and amoral, others seemed to work happily in their lifetime, accomplishing much and in the right spirit. Thus, a person's life-task is the fulfillment of *duty* in worldly affairs—and this life-task is the highest form of moral activity the individual could assume. Throughout the generations, spiritual mystics throughout all the major religions have refined the notion of calling or life-task to include something much more subtle. All persons are prone to misconceive what they believe to be their calling because what a person 'hears' in his conscience is still only the ego, the subjective voice of the human self. To truly hear God's divine voice, all that is ego must first die (mystics refer to this as the *death of self*).

Thus, as the ego-self dies, two things happen: firstly, the ego-self that had believed that it possessed a purpose, a meaning, is replaced with the selfless realization that all life is sacred, that it is the individual's participation in the whole of life, not the solitary existence of the individual that is divine. Secondly, in this selfless and participatory state, the individual is finally able to see him/herself something like a prism, taking light emanating from others in life into the uniqueness of their own prism's aperture, and reflecting the entangled light back into life. Thus, each individual life becomes no longer imbued with a single purpose, but is both free and duty-bound to interact from one moment to the next, from one entanglement to the next—a significant part and interdependent reflection of the whole. Significance, then, does not emanate exclusively from the individual, but from the individual participating within the whole.

Finally, an individual's authentic identity is simply: to be both vulnerable and contributing to significance. The unbinding of the

selfish ego from both the individual and group illuminates a new bonding born in the crucible of Chaos.

**The Quantum Value.** If the above identification of the authentic self is more accurate than present manifestations of irrational and nominal identities, then something astonishing begins to materialize within the void—or latent energy—of Chaos: pattern and potential. Foremost to recognize in this new paradigm is the immeasurable potential residing within the entangled individual and group. Since the earliest moments of free enterprise, individuals and groups were primarily concerned with, first, essential survival, then, accumulation of wealth—and hence utilized the tools and benefits of free enterprise so as to survive and accumulate. And taking into account the evolving self-deterministic individual, what of the *responsibilities* of free enterprise? What if the real wealth was actually in the individual/group itself? Thus, the heretofore unrealized potential of civilization is in the moment-to-moment entanglements which possess the capacity to change our very lives.

Suppose the following: an employee of any typical corporation is tasked with increasing sales of the company's least profitable product. In the present orthodox and hierarchical corporate setting, the standard operating procedure is: (1) reduce expenses, including cutting regulatory corners and replacing higher paid workers with lower paid workers, and other such measures; and (2) the employee tasked to sell the slow-selling product is provided limited options with which to expand the market: the conventional method is simply to cold call potential clients and persistently pursue the client until a purchase is made.

In a 'quantum corporation', however, the process of better managing corporate value might look more like this: (1) a particular product appears to be slow-selling; (2) a 'bull-pen' assessment meeting attended by various specializations determines that although the present product has been made redundant by changes in population demographics, certain components or know-how of the product has vast potential for revenue generation only if the company responds quickly to market the know-how (knowledge, not a specific product) in advance of the competition. In fact, the employee initially tasked with selling the slow-selling product has a contact with an industry lobby group specifically in search of

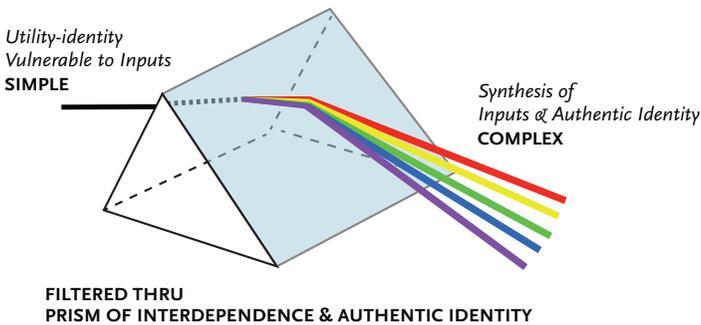
new know-how. In the orthodox version of the company, employees are nothing more than task-specific labor, simply chattel. In the quantum version of the company, however, employees take pride and interest in the totality of the company's assets, including people and their knowledge.

In the orthodox/nominal version of identity, the company operates on a task-by-task basis—and no one is permitted to break away from the tasks, no one is permitted to think, question, and propose potential solutions (the attributes of a moment-to-moment basis of operations). Thus, to the employees, the identity and value of the company is simply a job to earn enough money to pay the bills, put the kids through school, and retire. To executive management, the identity and value of the company is status to join the local Chamber of Commerce or be elected to a city task force. To the shareholders, the identity and value of the company is black-and-white simple: increasing returns. To the consumer, the identity and value of the company is largely non-existent; the consumer sees the product, not the company. If consumers cannot see the company, then they also cannot see the company's employees. And if a shift in the market were to cause tension between two competing interests, say, industry and the environment—then, it should come as no surprise that employees of industry often feel socially on the defensive in these times of tension. The tragic reality, though, is this: no matter how rational or reasoned an argument for change might be, the *realpolitik* of a vast percentage of corporations throughout the world always finds some timely and rational-sounding excuse to not change, to persistently maintain their nominal identities.

If the *realpolitik* attitude were to somehow change; if minds themselves were to change, the authentic identities and value of individuals, companies, and consumers would have the opportunity to completely revolutionize socioeconomics as we now know it. To take the individual first: an employee (a computer technician) who happens to be of Native American descent, and has grown to realize his/her authentic identity to be vulnerable and contributory to significance, will act somewhat like a prism—taking in significant contributions from others into the prism's unique aperture. Suppose the input is from a colleague who, over lunch, has revealed that one of the company's products—say, a line of winter sweaters—in spite of its high quality and low sales price, is not selling well.

The computer technician tells the colleague a story about his/her mother who had a sweater which was handed-down to her by her mother. Each time the sweater was handed-down, mother passed to the daughter memories experienced wearing the sweater (first kiss, a reflective time on the banks of a winding river, a night the electricity failed). The colleague listens to the story, and later that day, meets with the advertising team, and relates the mother-daughter story. The advertising team, in turn, takes the idea to design an advertising campaign—which is successful in increasing sales. What is the value of the computer technician?

Figure 12 - Authentic Identity & Entanglement



James Burke observed: “*Even in a world of constant change like ours, many of those systems that control, organize our view of things, the way we do what we do—are outdated. So why do we keep them?*” The corporate hierarchical structure of organization (Figure 13) has been handed-down for generations and unquestionably assumed by each successive generation—for the structure itself grants power and authority to those at the top of the structure and rules of conformity and obedience residing underneath. And yet, look within the day-to-day *operations* of a modern company and it is clear that operations are *process-driven*, moment-to-moment entanglements between people, materials, technologies, and the ever-present search for *value* itself—where these entanglements do not recognize hierarchy, they do however recognize commonality, reciprocity and interdependence.

Figure 13 - Most Companies Persist in Hierarchical Order

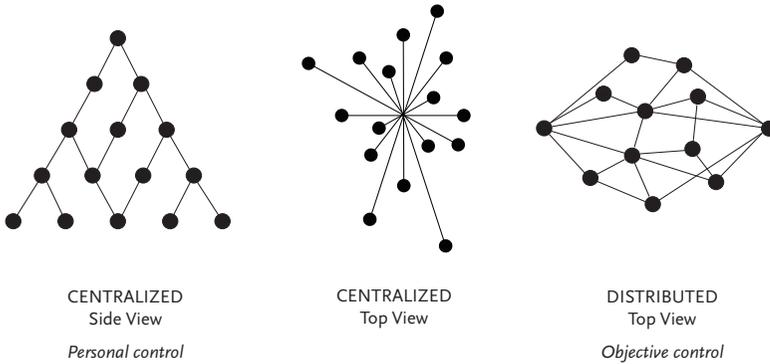
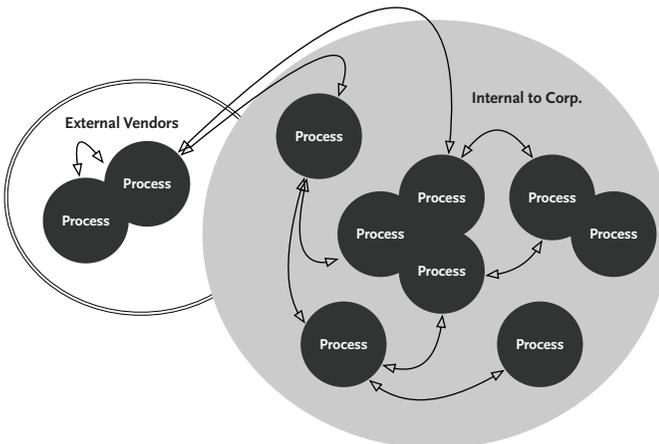


Figure 14 - Yet, the Company's Operations are Process-driven



If the *operations* of a corporation are based on commonality, reciprocity and interdependence, why is the *organization* based on hierarchy? Hierarchy enables and gives authority to the ego-self. But there is also something a bit more subtle that distorts the relationship between organization and operations. The orthodoxy of corporations was animated by *the intention of accumulating wealth* (and hence, power). Thus, we work to live—even in jobs that are often humiliating and oppressive—just so the accumulation of wealth could carry on.

Figure 15 - Deciding the Intention of Wealth

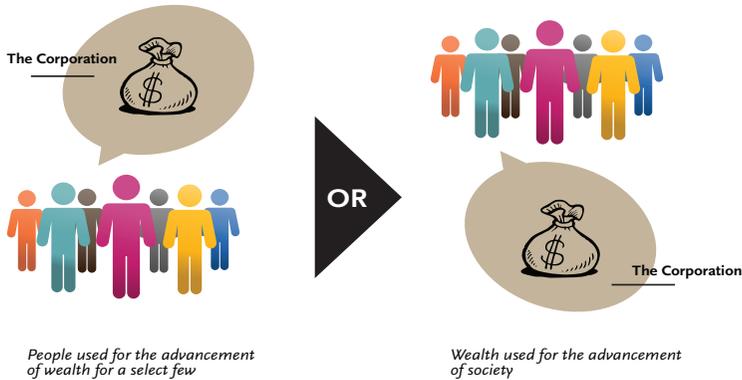


Figure 15 illustrates the differences of *intention*: on the left, people are simply labor, and like a puzzle piece, this labor works to generate wealth for the corporation—and in turn, labor receives a token reward of a certain amount of wealth in the form of a salary. The word ‘token’ is carefully chosen, for what is any individual’s authentic value within a corporation? In the example used above of the computer technician relating the story of his/her mother and her sweater, does a monthly salary of the technician truly reflect the value of the individual’s contribution to the company? For middle-class families in the 1970s, it might have been common for a parent to communicate to their children a then-reasonable ‘rule of thumb’ when seeking their way in the world: when considering employment, one should command a salary equal to US\$ 1,000 per their years of age. Someone 18 years of age, then, should earn a salary of US\$ 18,000; 19 years of age, US\$ 19,000, etc. But what happens to the ‘rule of thumb’ when a person is attempting to sell something that is a product of one’s imagination—say, a novel, television script, song lyrics, a business plan, or even a new scientific research breakthrough? What is the value of one’s brain? What is the value of an idea? As economies increasingly require creative imagination, strategic thinking, and ethics considerations, rather than physical labor, these old ‘rules of thumb’ will need to evolve beyond the conventional labor salary valuations. A salary, in its very essence, is merely a token of an individual’s authentic value—and this, perhaps, is the most tangible indicator of just how and why authentic value is so elusive from

the global economies of today. Consider any person's salary: what is the specific and quantifiable formula, the universally benchmarked equation used by the company to set the salary amount? It should be clear that real and quantifiable formulas simply do not exist; salary determinations are almost exclusively subjective and arbitrary. It is effectively unimaginable that a mid-level manager offers a subordinate a salary higher than his/her own. Referring again to Figure 15 above, however, the right-hand illustration reverses the *intention* of accumulating wealth: the interdependent relationships of people to purposefully utilize the legal and formal foundations of a corporation so as to accumulate wealth—with the *intention* of being responsible to balance benefit with responsibility throughout society as a whole. This intention of accumulating wealth not as an end, but as a means to an end simply opens the door for both individuals and the group to determine which end to pursue—to take responsibility, and importantly, authority to determine some appropriate or worthy end. To again reflect upon the observation made by James Burke:

We are reaching the stage where it is not a matter of what novelty and change the future will bring next—but what kind of future we care to invent.

It is too easy to declare the single individual is powerless to confront the *realpolitik* of the corporate hierarchy. Either global civilizations meekly resign themselves to a hierarchical and subordinated existence, or they radically change the entire logic and process of corporate, societal and world order to make way for the more egalitarian interdependencies of authentic identities and their livelihoods. At last, to contemplate to radically alter the holders and structures of power away from hierarchical-centric accumulations of wealth and from geopolitical-centric governments—and commend authentic power to the previously unthinkable: the insubstantial and anarchic embodiment of random and often conflicting ideas and values; *ourselves*. If global civilizations could somehow begin to seriously contemplate change, then what of Chaos? Mustn't chaos be avoided at all costs?

Perhaps, not. Earlier, it was mentioned when Chaos is seen not in its negative perspective of complete disorder and confusion, but rather, in its positive perspective of latent energy, both pattern and

potential become visible from within Chaos itself. Thus far in this section, the ‘quantum potential’ of value has been introduced. Now, to explore the more profound potential that begins to materialize only when one dares to see pattern within chaos. Earlier (Figure 9), an illustration of the *Topology of an Entangled Quantum State: Brunnian Model* was presented. Quantum science is still attempting to understand how quantum particles exist in the entangled state, and the Brunnian model is only one of many interpretations. If the Brunnian model might be translated for use within economics (the entanglement of people instead of atomic particles), the results of this experiment of the mind might provide a tangible and practical process through which enlightened change could ultimately occur.

Figure 16 - Brunnian Variations: Corporate-to-corporate Connections

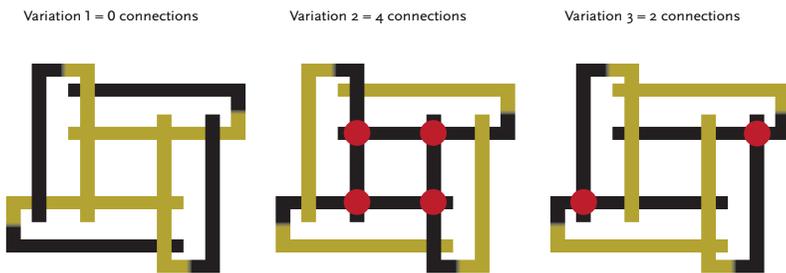
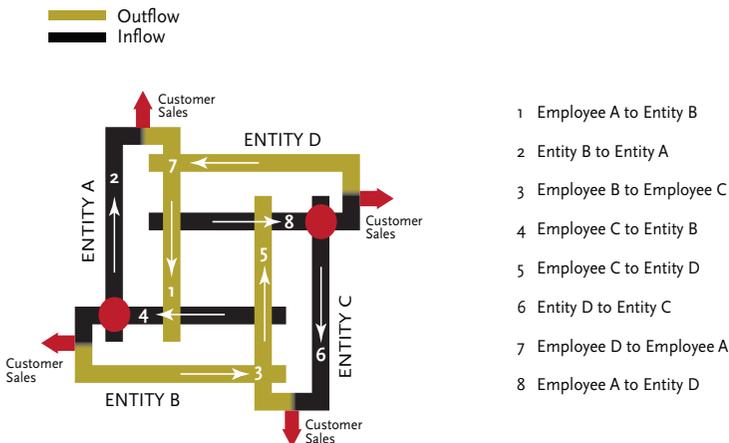


Figure 16 above illustrates three variations of the economic use of the Brunnian model. To view the left illustration, the Brunnian model shows four ‘forks’ which intersect with each other at various points. In this case, each fork represents a single corporate entity and a single employee of that corporation. The geometric arrangement of the forks, then, impacts how the intersections are distributed. The left illustration shows four intersecting points at the center of the four forks. The middle illustration shows a polar intersection. The right illustration shows a synthesis of the first two. This third variation, then, is the median average of the distribution potential of corporation and employee intersections—and will be used to construct the various geoeconomic or ‘quantum economic’ models throughout the remaining pages. From this point forward, this Brunnian model of four intersecting employee-corporation forks will be referred to as a ‘node’. If a corporation is comprised of

400 employees, then 400 nodes would not only reflect the employee makeup of the corporation, they would also reflect 400 unique relationships with corporations and employees external to the corporation. It should also be stated here that how these 400 nodes within a single corporation are arranged geometrically—and how they impact the 400 external corporation-employee relationships, and how these external relationships intersect with their own external relationships—the potential geometric permutations of these diverse relationships cannot be seen as linear or even exponential, but truly infinite (that’s the chaos bit).

One further concept is important to place into perspective of the corporation-employee relationship: within the confines of orthodoxy, the corporation has long-protected its monopolistic sovereignty to make and carry out decisions from the top-down—employees could not venture out on their own, formally or informally, to make and carry-out their own decisions. This, most certainly, would lead to anarchy—hundreds or even thousands of employees, unfettered, signing their own contracts with vendors and customers, selling corporate knowledge, or acquiring another company’s know-how. But indeed, this thesis is positing exactly these anarchistic entanglements ought to occur—to empower, and give responsibility to the entire employee base to make and carry out decisions on behalf of the company, themselves, and society as a whole.

Figure 17 - Activity in Single Brunnian Employee-Corporation Node



- Figure 17 shows four forks of the node, labeled Entity A, B, C, and D (an Entity representing a corporation-employee relationship).
- Within each Entity, the tan-employee tine will represent a single employee selling knowledge (of the individual or of the company) to either an external corporation or to another employee of an external corporation (or both) (see steps 1, 3, 5 and 7). In this simplified model, only one transaction is made per step, although many more transactions are possible. To illustrate this, notice that step 1 originating from the employee tine of Entity A actually intersects 3 interlocutors: the employee and corporation tines of Entity D and the corporation tine from Entity B. In the geoeconomic models that follow, only the terminus of the step will result in an economic transaction (in step 1, then, Employee A sells knowledge to Corporation B).
- In reciprocity, step 2 blue-corporation tine: Corporation B sells either knowledge, technology, or even a product/service to Corporation A.
- When an employee acquires knowledge from either an external employee or corporation, the payment comes out of the employee's pocket—if the employee is to share in the benefit, then the employee must also share in the responsibility.
- These one-two reciprocating steps are repeated throughout the entire node of four forks (steps 1-2, 3-4, 5-6, 7-8).
- Steps 1-8, then, illustrate the 'business-to-business' relationships that occur throughout the node. All business-to-business transactions are traded not in cash or barter, but in shares of corporate stock.
- But these business-to-business steps 1-8 are only to provide the spark to ignite additional consumer sales via the sales channels of the combined node. All consumer-related transactions, at least initially, are transacted in cash sales commissions. Further, each of the Entities cross-trades corporate shares of stock.
- Steps 1-8, then, are repeated for each of the remaining employees of the corporation. The corporation is comprised of 400 employees, then 400 nodes (steps 1-8) are imple-

mented. Integrating all nodes from all four Entities forms a ‘Network of Nodes’.

The economic consequences of implementing this type of Brunnian entanglement model will be detailed in the modeling section later. But the following two tables (Table 28 and Table 29) provide a summary of pre- and post-Brunnian states of entanglement.

Table 28 – Network of Nodes, Pre- & Post-Brunnian: Sales & Profit

Beginning Profit Margin Profit Margin (Brunnian improved productivity)	Corporate Sales & Profit (US\$ millions)					
	Beginning Annual Sales	Brunnian Consumer Sales	Total Annual Sales	Beginning Annual Profit	Brunnian Annual Profit	% Profit growth
	2,000.0	6,000	8,000	140	800	471%
Entity A - Large Co.	50.0	9.4	59.4	3.5	5.9	70%
Entity B - SME	3,000.0	12,937.5	15,937.5	210	1,593.8	659%
Entity C - Ad hoc consortium	50.0	9.4	59.4	3.5	5.9	70%
Entity D - SME	<b>5,100.0</b>	<b>18,956.3</b>	<b>24,056.3</b>	<b>357</b>	<b>2,405.6</b>	

Beginning Share Value	Corporate Share Value (US\$ millions)					
	Shares Issued # millions	Beginning Price per share	Brunnian Price Per Share	Brunnian Share Value	% Share Value Growth	
500	33.3	15	22.1	735.7	47%	
12.5	2.5	5	5.3	13.4	7%	
750	37.5	20	33.2	1,244.2	66%	
12.5	2.5	5	5.3	13.4	7%	
<b>1,275</b>				<b>2,006.7</b>		

Table 29 – Network of Nodes, Pre- &amp; Post-Brunnian: Employee Value

	Average Employee Salary US\$	30,000	Employee Value					
			US\$ millions	US\$	US\$ millions	US\$	US\$ millions	US\$
	Beginning Employee Salaries	Entity-to-Entity Shares Traded	Brunnian Share Value	Consumer Commissions	Total Employee Revenue	Brunnian Employee Revenue	Per Employee Revenue	
Entity A - Large Co.	12.0	11,175	246,648	233	245	611,867	611,867	
Entity B - SME	0.8	7,700	41,181	24	24	978,522	978,522	
Entity C - Ad hoc consortium	17.3	12,375	410,585	226	244	424,464	424,464	
Entity D - SME	0.8	7,825	41,850	24	24	978,549	978,549	
	<b>30.8</b>		<b>740,264</b>	<b>506</b>	<b>538</b>			

To construct the above model, the following four types of corporations are used:

- Entity A - a large corporation, comprised of 400 employees, and annual sales revenues of US\$ 2 billion.
- Entity B - a small-medium sized (SME) corporation, comprised of 25 employees, and annual sales revenues of US\$ 50 million.
- Entity C - an ad hoc collaborative consortium, comprised

of 1 large corporation (400 employees), 3 SMEs (total 75 employees), 100 independent contractors (a total of 575 employees), and annual sales revenues of US\$ 3 billion.

- Entity D – SME corporation (focused on the manufacturing of hardware), comprised of 25 employees, and annual sales revenues of US\$ 50 million.

These summary projections of a simplified model, then, present a seemingly unreal, even amateurish set of economic consequences emanating from a single network of nodes. Table 28, as an example, shows Entity A (the large optical technology corporation) with a beginning annual revenue of US\$ 2 billion. By altering its perceptions of value and empowering its entire employee base to become entangled with others throughout the world, Entity A generates an additional US\$ 6 billion in consumer sales, for a total of US\$ 8 billion in revenue. Equally, Entity A's share value, in one year, has increased by 47%.

Table 29, then, shows within Entity A, the combined 400 employees generate new value in earning consumer sales commissions and increasing corporate share value. A typical employee of Entity A which began with an average annual salary of US\$ 30,000, as a consequence of entanglement, generates US\$ 611,867 in personal revenue.

Three conceptual elements are important to highlight here: firstly, relating to Table 29 and new employee values: emerging data suggests, within the next 40 years, as little as 5 percent of the adult population will be needed to manage and operate the traditional industrial sphere. Near-workerless farms, factories, and offices will be the norm in every country. Thus, supposing these predictions of near labor-less production of goods and services in 40 years time are close to accurate, the obvious question becomes: if a near total majority of the population is essentially unemployed and not earning some form of labor-based salary, then who is going to afford to consume these goods and services produced by intelligent machines, and what form of currency will be used? By implementing entanglement processes sooner than later prepares all civilizations to adapt to the labor-less economy that is already emerging and evolving. Corporate orthodoxy today is likely both horrified and threatened by the notion of empowering its entire employee base to

engage in anarchy and to make and carry out decisions on behalf of the company, themselves, and society as a whole. But unless the global corporate sector does indeed implement some form of entanglement processes, there most likely will be few consumers in the future possessing disposable income necessary to purchase consumer goods.

Secondly, the summary models presented above consider that each employee generates only one transaction per year with an entangled party. It is easily conceivable that any given employee can generate multiple transactions per year—which would then have profound consequences upon the models. And thirdly, it might be obvious the entanglement process appears to conflict with the legal protections afforded intellectual property via patents, copyrights, and the like. These types of protections are essentially intended to exclude anyone other than the inventor-composer-writer from making, using, selling, offering to sell, or importing an invention for a specified number of years. In actuality, however, the entanglement process might provide the platform for a much wider and more rapid dissemination of knowledge and innovation throughout an infinite number of value products and services, and on a global scale. In the past, the tools simply did not exist by which an innovator could allow the innovation to be so anarchically exploited whilst still being afforded legal and wealth protections. Today, however, these tools do exist in the forms of the Internet/Hypernet, expert systems<sup>77</sup>, artificial intelligence, electronic funds transfer, and the like.

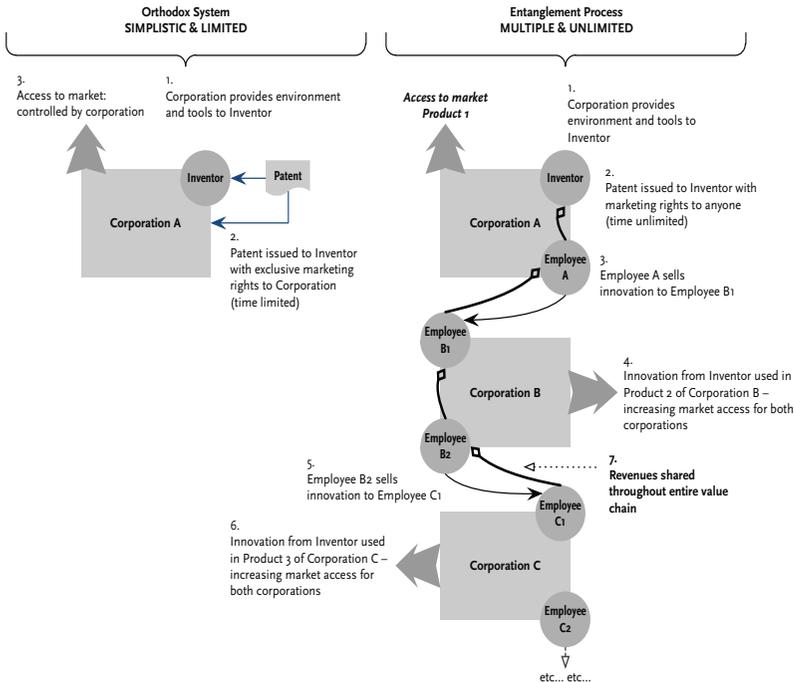
Figure 18 illustrates the conceptual basis for the entanglement process whereby innovation and knowledge can be more widely and rapidly disseminated, whilst still affording necessary protections for the innovator. The key elements to notice in the figure are: (a) entanglement allows for intellectual property to be protected for an infinite length of time; (b) orthodoxy erects and maintains *systems*, whereas entanglement requires not *systems*, but adaptable *processes*; (c) the tools now exist to allow intellectual property

---

<sup>77</sup> An **expert system** is a computer application which makes decisions or solves problems in a particular field, such as finance or medicine, by using knowledge and analytical rules defined by known human knowledge. People solve problems by using a combination of factual knowledge and reasoning. In an expert system, these two essentials are mimicked by two software components, a knowledge base and an inference engine. The knowledge base provides specific facts and rules about the subject, and the inference engine provides the reasoning ability that enables the expert system to form conclusions.

to be both disseminated and protected by any individual, corporation, or even ad hoc group—via revenue sharing between all parties throughout the value chain; and (d) rather than corporations being mere monopolies, they have the opportunity to become conduits for that which possesses value: people and their ideas.

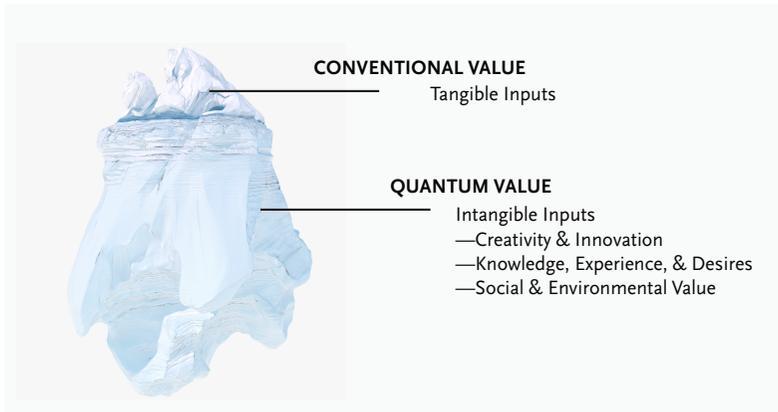
Figure 18 - IP Dissemination: Orthodox versus Entanglement



It is not the purpose of this thesis to declare that every kernel of knowledge we possess and contribute to others should receive a financial benefit in return. These illustrations are simply designed to stimulate a new way of perceiving that all people possess value—whether that value is expressed in capital, or in a smile, or in friendship. Orthodoxy for too long has been able to protect the interests of the elite simply because orthodoxy of thought controls the system. The astonishing potential of entanglement allows for *process* to finally challenge the sovereignty of the *system*. When a typical consumer sees a product, they predominately only see how that product can benefit them (what’s in it for me?). But in a state of entanglement,

when a consumer sees a product, they see much more—they see all the elements necessary for that product to exist. They see the diverse materials which were then processed together to shape matter into form. They see the innovation of software or optics which animates the form, and which itself was animated by multiple resources of knowledge and wisdom. They also see the environmental impact and social relevance of the product. They see all this value not as something distant and foreign to them; rather, they are a part of it, and this value is also a part of them.

Figure 19 - Quantum Value of a Product



When Dorothy unmasked the Wizard of Oz, she was soon to discover that she herself had always possessed the ability to return home to her family in Kansas. Perhaps this is also true of civilization itself. The answers are within us all. All that is needed is the courage to look into the immutable Chaos that lives and breathes in all our minds. One day, it may finally be possible for the human species to utilize its sense of curiosity and wonder not merely for the sake of establishing and maintaining order—but to be curious simply to be curious.

*Synthesis: the Unbinding & the Bonding*

The yellow brick road, finally, comes to its own intersection. Civilizations, too, have arrived at their crossroads. Which path, now, to

take? History, reason, intuition, even spirituality have been inspiring magnets drawing us to the future. All that has gone before us; and all that we do and think in the present; perhaps even glimpses from the future itself—these are the ingredients from which we design the times to come. The decisions any present or future generations might make about which direction to choose—which social, economic, and political intentions to seek—will come to have a sincere and measurable impact upon not only the world’s people, but also upon the earth itself. The intentions of this thesis have been to simply place certain aspects of political, social, and economic trends into context with the exceptionally diverse influences of moral thought which have for millennia animated the entirety of the human species. Modern economics and technologies have provided those that now stand at the intersection of change with a distinctive challenge and opportunity. In the past, monarchs, popes and cardinals, autocratic rulers, despots, extremists, and representative governments have undertaken the authority to lead their citizens toward a specific destination—and citizens were either expected or forced to follow. Now, however, the evolving nature of global economics, the rise of global gray markets and organized corruption networks, social and economic tensions growing within the most economically powerful nation-states, the failing of over 100 nation-states; the rise of individualistic self-determinism and the stateless citizen—all these influences have coalesced into a disorienting nexus and weakened the old authority. At the same time, though, both the stateless citizen and developing nation-states are often ill-prepared or even hesitant to undertake responsibility to balance self-initiative with self-restraint. In the end, as civilizations stand at the crossroads of a geopolitical dynasty in descent, will these civilizations choose a path that leads to a specific destination, again to vainly attempt to control and order—or will they choose a path simply for the magnificent experience of the journey itself?

The historian Simon Schama, in his work, *The History of Britain*, describes the initial consequences of the overthrow and execution of King Charles I:

On January 30, 1649, the English killed their king. It had happened before, of course—all those Edwards and Richards violently done in by their own subjects—but this was different.

Now, the British monarchy itself had been exterminated. Now, there was just the people and its parliament—the keepers of the liberties of England. But what was the point of freedom when you were frightened? What the people really wanted to know was who would keep them safe? Who would stop the soldiers from burning and pillaging, allow people to sleep quietly in their beds? Who would protect them from the wars of religion and politics which seemed to go on and on and on? Would it be parliament, or would it be a great general like Oliver Cromwell?

“It doesn’t matter”, said the hard-headed philosopher Thomas Hobbs, a royalist who’d come back to Cromwell’s England. “What the country needs is a strong ruler who embodies all the people. Whatever or whoever could save the country from anarchy—whatever could save you from yourselves. Never mind about what’s right or wrong. Put yourself in the power that protects—the all powerful Leviathan. If that’s Oliver Cromwell, then, so be it—it’s the reasonable thing to do.”

But the Scots, the English, and the Irish were not about to be reasonable—because they were much too busy being righteous. Over the next half-century, righteousness would kill a lot of the British. At the end of it all, reason would appear. But not before a lot of tears had been shed—tears of rapture and tears of grief.

The initial emergence of the British leviathan in the guise of Oliver Cromwell, however, would eventually be seen for its deeper and long-term consequences of a kingless England.

But when Cromwell told the people that it was time for them to govern themselves, [he] didn’t, of course, mean to be taken literally. Heaven forbid. That way lay chaos.

At the heart of civilizational order has been this persistent tug-of-war between the concepts of representative leadership versus self-leadership. In *The Leviathan* (1651), Thomas Hobbes argued that peace and order could only be guaranteed if countries had a single, all-powerful authority—and justified this view by describing an imaginary ‘state of nature’ in which people live without government: people living in the state of nature would be at constant war with one another. In such a state all people would be free to do what-

ever they wanted to do, but nobody could enjoy this freedom because all people would have the right to trample the freedoms of others. The only way out of this problem is for all citizens to agree to obey a single power that is strong enough to force everyone to follow rules and live in peace. According to Hobbes, self-leadership was simply not possible. Economic interdependency, however, could very well be the tool with which representative leadership can finally be replaced by self-leadership. People would be free from being mere subjects or even property of rulers, and free to do and think what was authentic within them to do and think—and this authenticity itself would be derived by the economic entanglements between individuals and society as a whole. Instead of a single power—strong enough to force everyone to follow rules and live in peace—be embodied within a single person or government, the interdependent powers of global livelihood could be embodied within all persons interdependent upon each other to live in peace. Kantian democratic peace could finally be realized.

Part 1 of this thesis strived to utilize objective observation and analysis to dissect a particular failing nation-building project of the International Community as well as the larger corpse of the geopolitical process of world order. Part 2, thus far, has intended to place the contradictions of geopolitics in juxtaposition with the essential principles of the human endeavor. The geopolitical orthodoxy inherent within present world order systems intent on the control of all that is ideal and material is in stark contrast to—and incompatible with—a modern and globalized process necessary for the sustaining of innovation and consumer-based economies.

The essential nature of geopolitics—an arbitrary and man-made artifact—is really an inverse image to the entangled potential latent within Chaos—an organismic substance of nature. The more we as a global society attempt to control the chaos of nature, the more of our very being we allow to slip through our fingers. And what is increasingly slipping through our fingers is beginning to endanger our fundamental global security and prosperity. In short, geopolitics is no longer relevant to addressing the civilizational realities which increasingly divide and threaten us, and not at all possible to sustain. Geopolitics, in terms of efficacy, is nothing more than a dynasty ending. Alternatively, the moment-to-moment existence of our individual and social selves, if allowed to exist organismi-

cally, would no longer be bound within specific and immutable borders of conformity, purpose, and order, but rather would naturally venture into the voids and abysses of knowledge and experience often without any predefined purpose at all, and which would not be a slave to the controlling mechanisms of prediction or even predestination. Hiding inside the abyss of chaos is a presence, an entity which stands completely alone and rejected, yearning to be finally embraced and cherished. This entity has a name: *Interdependence*. Global (and peaceful) Interdependence, if we do not fear but embrace its fundamental nature, can be a strong and vital alternative which allows for chaos and order to naturally coexist.

And yes, there will be sacrifices. The greatest of these sacrifices: imagining our beliefs and knowledge are exclusive, unchangeable, and incapable of coexisting with other diverse beliefs just as exclusive and unchangeable. As James Burke has ardently observed, we are what we know, and when what we know changes, we change. *How* and *why* we apply what we believe to be knowledge will have to face up to our greatest enemies of all: our senses of ego, righteousness, and demand for order. The spark that allows human civilization to challenge its foundations and applications of knowledge shall be chaos itself. Chaos, because of the astonishing potential latent within entanglement, simply obliterates any and all fear in *the other* or in the *unknown* and allows us to experience the truer challenge of our inner selves—to be curious simply to be curious. Immanuel Kant's view of duty toward global personal enlightenment and its resulting social democratic peace can no longer be viewed as utopian or luxury, but rather as imperative. As individual self-determinism continues to shape and animate the stateless citizen, the profound challenges of maintaining aggregate economic demand on a global scale as well as self-imposing legal and moral restraints can only grow more compound and overwhelming.

If the self-determinism of the individual is to continue its present course of evolution, it is then inescapable that the sovereign individual will be forced to struggle with these complex and often paradoxical issues. In the moment-to-moment, the individual and group are entangled as one—the interdependency of livelihood is the bond which unbinds us from disenfranchisement and humiliation. The authentic identities of the individual, corporation, society, even nation-state are elusive. For so very long, we have been confined to

the irrationality and divisiveness of nominal identities—we have been lulled to accept our token value expressed within nominal identities and labor salaries. Modern innovations now provide the tools for the entanglement process to empower any individual anywhere in the world to contribute and gain access to knowledge and value. The entanglement process could shift the essential intention of wealth accumulation as an end to a means to an end.

This quantum form of socioeconomic interdependence is not to be confused with conventional definitions of capitalism or socialism. Indeed, the notion of livelihood interdependence merely synthesizes these two systems into more organismic and symbiotic processes. To be synthesized within the crucible of the mind: (a) the ever-continuing evolutions of private wealth generation (the classic definition of capitalism) and global innovation present a direct challenge to national economies dependent upon supply-side orthodoxy of governments and militaries; (b) the enabling of self-initiative and entanglement processes amongst the masses can allow wealth generation to expand beyond the control of the elites; (c) the masses, then, must voluntarily undertake the duty to balance aggregate economic demand with self-restraint; and (d) the intention of wealth generation is to finally serve as the bond of value for all civilizations—the realization that all peoples are themselves a living economy. The metal that ultimately emerges from the crucible of the mind—the enlightened blending of capitalism and socialism—might then be defined as *self-restraining globalism*.

The synthesis, then, reveals a new basis upon which all states and all peoples might somehow be drawn to establish both internal and external relationships of democratic and perpetual peace: to remove the notion of cultural separateness and to provide a dynamic and flexible organismic process through which all peoples can become interdependent upon each other in their livelihood. By celebrating rather than fearing diversity, the astonishing potential of the human endeavor can be revealed in its manifestations of the ideal and the material. The human art of ideas conjoined with personal self-restraint can produce an immeasurable supply of goods, services, and solutions to problems.

In 1795, the Industrial Revolution was just beginning its birthing process. Karl Marx had not yet entered life to be entangled with class struggles animated by the asymmetrical intentions of wealth accu-

mulation. But also in 1795, Immanuel Kant could not even fathom the notion that two particular mathematical equations would come to position his concepts of personal enlightenment not at utopia, but as imperative. These two mathematical equations would epitomize diametrically opposing standards for wealth generation, and hence, would change the world in diametrically opposing ways. The first equation, Einstein's  $E=MC^2$ , established the basis for nuclear energy to be harnessed for both peaceful and military means—and unwittingly gave rise to the Cold War and seemingly intractable polarizations between states. The second equation, a complex set of algorithms too lengthy to state here, essentially analyzes the geometric relationships between Internet web pages (this is done by using *back-links* to compute a page's importance in comparison to other pages). Google, Inc. is a corporation that houses and manages this set of epochal-making mathematical formulae. Whereas the mathematical and technical uses of nuclear energy are controlled by states and their systems, the mathematical and technical uses of the Internet are ultimately uncontrollable (although some states do attempt to control access to certain types of information). The equation and corporation of Google® could have been birthed by any of the world's 6 billion plus people. The equation itself grew from the human mind. Our minds are now not simply a vast generator of wealth, but they are also tangible conduits for the entire world to harness.

Finally, in this new Age of Access, the manifestations of the human art now possess the technical vehicles to be broadcast, shared, appreciated, considered, modified, redrawn, and broadcast anew—entangling anyone in the world which possesses both the intentions and obligations of balancing self-initiative with self-restraint. Whereas Einstein's equation inspired the elites to divide the world, the equations underpinning the Internet and quantum economics can inspire all peoples to restore the world.

So... how to assemble the puzzle; how to invent the future?

A synthesis of the principles discussed throughout the preceding pages essentially produces the revelation of *geo-economics*—not as an ideology of world order to which all must conform—but rather as an entangling tool, a translator of sorts. This tool of geo-economics, then, is thoughtfully wielded by all societies so as to translate and facilitate their enlightened senses of mutual benefit and responsibility, their

interdependence of livelihood. To even contemplate the design and implementation of a geoeconomic process of global livelihood interdependence, however, will require a revolution. The revolution is not one where a specific system of power and control is replaced by another; this would be merely a change of actors. Rather, the revolution is in the Kantian sense, where thought, enlightenment, courage, and action become conjoined within the consciousness and wills of all peoples. Thus, the physical manifestation of geoeconomics—the vehicle through which authentic consciousness can be actualized—is not an institution, a parliament, a corporation, a club, or even a church. The physical manifestation of geoeconomics is in the art itself—the manifestations of human art, of *livelihood*.

Our occupations call to us from the abyss. Conventional concepts of *purposefulness* or *meaning* applied to our occupations have for so very long been misinterpreted as the definitions and bases of identity—some pre-defined declaration of *destiny*. Authentic identity, however, cannot exist without the entanglement of the individual with all other individuals—each giving life to and receiving life from each other—where destiny is replaced by the journey itself. *Purposeless significance*, then, is revealed from within the abyss of Chaos. A dance possesses no definable or absolute purpose other than to enter into a shared relationship between the music, your temporal and transcendental self, and a dance partner.

Our occupations and wealth generation-consumption are nothing more than a dance. We all enter a shared and *purposeless significant* relationship with the music (the chords and notes of our individual and social innovation-production-consumption); our entwined temporal and transcendental selves (the melodic values we contribute and imbibe which are embodied both in the goods-services we innovate-produce-consume and in how and why we utilize these goods-services); and a dance partner (anyone, everyone, anywhere, everywhere).

As civilizations now stand at the intersection of their own yellow brick road, and contemplate which future to invent, it is easy to be reminded of a poem that once spoke of curiosity and courage to take the road less travelled. The human species has often treated its means of livelihood as means only. The farm, the industrial plant, the government office, the school, the software lab, even the research lab—these have all been places for most to merely toil until

retirement or death. Self-realization and enjoyment were luxuries to be experienced only outside of work or in the after-life.

Yet, to see livelihood from an alternative perspective of authentic identity, value, and entanglement reveals a new kind of civilization. The chaos of the mind is our true livelihood, our true final frontier to explore. Its mystery is who we are.

*I shall be telling this with a sigh  
Somewhere ages and ages hence:  
Two roads diverged in a wood, and I—  
I took the one less traveled by,  
And that has made all the difference.*

Robert Frost, *The Road Not Taken*

## VI. FROM THE IDEAL TO THE MATERIAL: GEOECONOMICS

### 1. Atlas: Process, Form, Mass & Effect

So as to move from the ideal to the practical, the principles of process, form, critical mass and sustainability will now be examined. *Process* is a series of occurrences that produce change or development. *Form*, in economic terms, is what provides individual economic stakeholders the infrastructural foundation to move and interact with other stakeholders. *Critical mass* and *sustainability* are interlocking aspects of market dynamics which provide diverse economic stakeholders the cause and effect reasoning to interact with each other. Emerging from these four organismic processes are two specific geoeconomic models: *Level Playing Field for Interdependent Livelihood*; and *Labor-less Interdependence of Livelihood*.

#### *Process, Not Systems*

The two geoeconomic models presented in the following pages are animated by functionalities of *process* rather than *systems*—*systems* tend to promote conceptual and operational rigidity, slow reaction to emerging data and knowledge, and even sociological and political manipulations calculated to maintain holds on conformity and power; whereas *process* does not operate on any specific *a priori* conceptions of control, ownership, or appropriations of power. Process allocates resources only as a result of synergetic responses between goals, objectives, strategies, and tools-tactics. Even then, the entire matrix is held accountable to the achievement of the stated goals. The only *a priori* element within a process-driven model of geoeconomics is indeed the recognition of an existent problem requiring a solution.

⋮

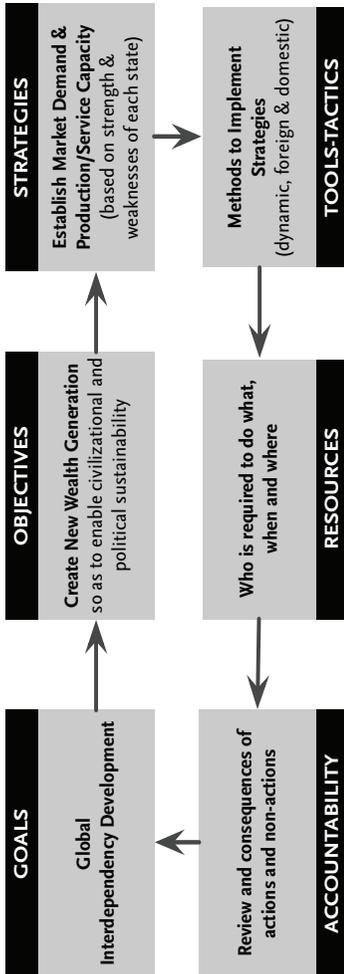
Figure 20 - Problem Matrix

<p><b>Process perspective:</b></p> <ul style="list-style-type: none"> <li>— Alternative process</li> <li>— Is it technically feasible?</li> <li>— Is it socio-economically feasible?</li> <li>— Is it politically feasible?</li> </ul>	<p><b>Planning Perspective:</b></p> <ul style="list-style-type: none"> <li>— Who are the stakeholders (strengths &amp; weaknesses)?</li> <li>— What is the most efficient strategy?</li> </ul>
<p><b>Problem:</b></p> <p><b>Present geopolitical world order process not effective</b></p>	
<p><b>Potential Perspective:</b></p> <ul style="list-style-type: none"> <li>— Can a geoeconomic alternative be conceptualized so that livelihood interdependence is realized?</li> </ul>	<p><b>People Perspective:</b></p> <ul style="list-style-type: none"> <li>— How do general public, business leaders, and political leaders see the alternative?</li> <li>— Are they convinced of the problem and its alternative choices?</li> <li>— Why are they not presently engaged in designing and implementing alternatives?</li> </ul>

From the above problem matrix, several concerns are identified, such as regarding the *people perspective*: how do the general public and business-political leaders see the alternative? It is reasonable to assume that many will reject outright the concepts of geoeconomics; others may initially be intrigued, yet hesitant to actively change the present system; others still may aggressively support the concepts of geoeconomics and straight away begin to implement changes within their corporation, government, community, or home. This single thesis, and the models presented herein, cannot reasonably hope to address and resolve all of these concerns—at best, all this thesis can accomplish is to sketch out the rough outlines of a geoeconomic

process, a skeleton of sorts. Accordingly, animated by several years of research, direct observation, and dialectic synthesis, the following process matrix (Figure 21) begins with the statement of the primary goal of geoeconomics: the global development of interdependency.

Figure 21 – Process Matrix: Global Interdependency Development



From the primary *goal* of global development of interdependency, the logical sequence leading to geoeconomic *objectives*: the creation of new wealth generation with the intention to enable civi-

lizational sustainability (sustainability is a quantifiable objective which can be definitively benchmarked). Now, however, as *objectives* are deconstructed into *strategies* designed to provide measurable steps toward the successful achievement of civilizational sustainability, it is important to explain how strategies and tools-tactics can be shaped positively and negatively by past experience and knowledge. Earlier, an historical account relating to the Japanese occupation of Christmas Island was used to illustrate the contradictions between how the Japanese, then, and the International Community, now, endeavor to resolve ethnic conflict. This illustration is also instructive in how strategies and tactics intertwine, as well as how strategies and tactics require non-egoistical thought to achieve success.

In 1945, as a consequence of shifting priorities of World War II, Japanese occupying forces identified a specific *goal* to end their occupation of Christmas Island, and equally, to evacuate the island in a manner that would prevent armed conflict between tension-prone multi-ethnic mix of Malays and Chinese inhabitants (*objective*). The *strategy*, therefore, focused on finding a mechanism which would proffer to the Malays and Chinese a way for them to establish a reciprocal, interdependent process of livelihood between them. As a consequence, the *tactic* used to implement this strategy was focused on a substantial cache of military armaments which had been stockpiled. The Japanese arranged for the Chinese to keep the rifles and pistol magazines, whilst the Malays kept the rifle bolts and the pistols. This deliberate measure of process design and management illustrates not only the operational benefits of process, but also the civilizational benefits. Indeed, the Christmas Islanders seized the moment, and each side consequently possessed economic assets from which to build additional resources of wealth. No evangelical preaching or imposition of democratization was required. No massive installments of sovereign debt were imposed. No feasibility studies were written. All that had been required was an enlightened process that dialectically entwined social behavior with economic rationalism.

In 1995, diplomats representing their respective geopolitical systems convened in Dayton, Ohio to design both the peace and the post-conflict nation-building agenda of Bosnia-Herzegovina. At those meetings, strategies and tactics were never discussed or even

researched. All that occurred, and all that could occur as a consequence of the geopolitical system to which the parties were subordinated, was that some *a priori* decision had already been made by a small core of elites—and the intention of the meeting was merely to arm twist and horse trade until all parties relented to the elites' *a priori* decision. As a consequence of the parties being coerced into an *a priori* decision, none of the parties' statements and actions can be defined as authentic—which, in turn, reinforces the parties' position of subordination to the elites. Further, because no authenticity or direct 'ownership' exists throughout the subordinated parties, the subordinated parties take advantage of the lack of authenticity to devise their own personal and often corrupted agenda. It is also interesting to note that many NGO program managers operating within a nation-building project often voice frustration and disappointment that the very people they are trying to help refuse to 'take ownership' of the NGO's goals and objectives.

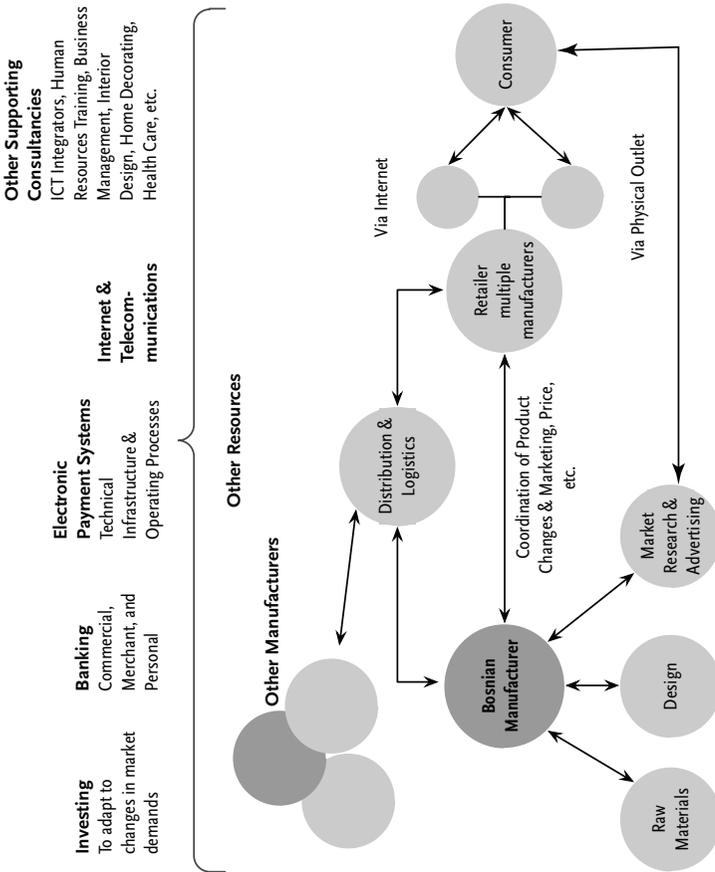
It is a difficult lesson to learn, but history has persistently shown that ownership, or even tacit acceptance of an ideal cannot be merely 'taken'—authenticity and direct ownership can only occur when a person's conscience genuinely believes in the ideal itself. Thus, the nation-building project of Bosnia-Herzegovina was doomed to fail before it even began. If, however, the lessons of economic rationalism and a process-driven matrix of conflict management strategies were to have been synthesized and applied to post-conflict Bosnia-Herzegovina, an entirely different outcome could be envisaged for the state and its economy. An alternative and enlightened outcome could have been strategized which could have provided the state with a *level playing field* upon which to build new economic markets and interdependent societies. Upon this level playing field, then, all parties are provided the opportunity to glimpse the future and thus feel a sense of hope that livelihood for all is possible. The authentic decision, then, becomes one where all parties endeavor to work together to ensure the interdependency of all livelihoods. Instead, when the International Community first engaged the Bosnians in 1995, the IC possessed no credible economic development strategy, which then permitted the three ethno-nationalist political parties (and their tightly knit organized corruption networks) to rapidly fill the vacuum and 'sub-nationalize' each of the country's public enterprises (public utilities, telecommunications, transportation, etc.).

Effectively, by creating Croat, Muslim, and Serb versions of these public enterprises, three separate, wholly-owned, and autonomous mini-states were created within the now fictional state of Bosnia-Herzegovina. The Christmas Island alternative, however, could have employed a *tactic* that distributed, say, the telecommunications company to one ethnic group, the power utilities company to the second ethnic group, and the gas and water companies to the third ethnic group—in much the same way the rifle and pistol components were distributed to the Malays and the Chinese. Livelihood for all, then, is made interdependent.

Resultantly, as geoeconomic alternatives are herein translated into models, several examples of strategies and tactics will be used not necessarily as explicit recommendations, but rather only as examples to demonstrate the implicit effects strategies and tactics cause to the bottom line of economic sustainability and interdependency. *Tools-tactics*, then, lead to *resource planning, allocation and management*. To continue using the Christmas Island/Bosnia-Herzegovina example: assume the tactic of distributing individual key utilities and corporations to each ethnic group was indeed applied (rather than splitting each company into three entities)—what type of *resources* would be required to apply this type of tactic? Figure 22 (next page) illustrates what a typical manufacturing company in Bosnia-Herzegovina would require in resources *for the specific intention of achieving market competitiveness and interdependency with foreign markets, and thus, sustainability*.

.....

Figure 22 - Example of Interdependent Resources



Each of the stakeholders illustrated in the above Figure 22 would also require specific resources for their own development. Thus, it becomes clear that to establish a ‘critical mass’ of resources which all become interdependent upon each other will require non-conventional and non-linear thinking—but rather, will require quantum thinking. To view this in slightly more detail: modern and competitive producers of goods throughout the power states have generally minimized their costs and modernized their production process to the degree that producers in developing states simply cannot compete in terms of quality or price. Retailers in a developing

state such as Bosnia-Herzegovina—because of the fact that Bosnia producers cannot generally compete in price with foreign-produced goods—tend to purchase goods from domestic importers rather than from domestic producers. Quite often, though, importers purchase black market versions of brand-name products which are evidently less expensive, but are also of less quality. As a consequence of this on-the-ground reality, domestic retailers are dependent upon domestic producers to produce high quality and low priced goods so that consumers can have reasonable access to market goods and services.

Domestic producers in developing states require the same resources and support infrastructure as would any producer located in Western markets. This is perhaps one of the most difficult concept for the International Community to properly address. Orthodoxy dictates that producers and retailers in developing states should simply progress at their own pace—to develop these resource interdependencies over a period of time. On-the-ground observations, however, demonstrate that Western producers have modernized so profoundly not only their production operations, but also their entire global distribution and sales process—to the degree that producers from developing states simply can never hope to ‘plug into’ the transnationalized markets. Thus, no matter how it may contradict with orthodoxy, domestic producers and retailers do, in fact, require some form of ‘critical mass’ to sustain the domestic economies of developing states.

The intention of interdependency is to facilitate all states to sustain their domestic economies—thus, ensuring social stability and peace. Accordingly, *resource planning, allocation, and management* leads to the logical sequence of *accountability*. In essence, to review the events taking place throughout the entire sequence: did the resources effectively exploit the tools-tactics? Did these tools-tactics effectively exploit the strategies? Did the strategies fulfill the stated objectives and goals? Thus, each participant within the sequence is held accountable to the other participants. Two examples of how accountability standards are simply non-existent within orthodox geopolitical systems—as observed in the author’s nine-year case study of nation-building in Bosnia-Herzegovina:

- In 2004, the EU provided the Office of the High Representative (OHR) in Bosnia-Herzegovina a multi-million dollar

budget to travel throughout the EU and promote tourism on behalf of Bosnia-Herzegovina. Several days after the OHR European-wide tourism promotion tour, a director of the Travel Agencies Association met with the High Representative to receive a report of the OHR regarding their promotional tour—but the High Representative stated quite clearly to the association director that OHR is not answerable to Bosnian interests, and thus cannot be held accountable for its tourism promotion activities. Unfortunately, this is not an isolated example—no multilateral institution or small NGO (including institutions such as the World Bank and the United Nations) is held accountable to the nation-state they purport to serve. Whether or not an International Community financed project is successful or fails, no one is actually answerable to Bosnian interests.

- Various developmental projects and diplomatic missions often require several years to complete. This means that international project management and staff might rotate at regular intervals. Some, but not all, multilateral institutions require that outgoing management and staff write ‘lessons learned’ reports—outlining personal and professional insights into the strengths and weaknesses of the project in which they participated. In a 2003 interview with a diplomat serving at the Office of the High Representative, the diplomat stated that it is indeed “*mandatory to write such lessons learned reports—however, it is not mandatory for anyone to read them*”.

The process-matrix as highlighted above (from goals to accountability) can then be synthesized into day-to-day *process flows*. The geoeconomic models proffered herein, then, seek to draw upon the knowledge-management disciplines of how modern corporations have re-engineered the very functionality of business in a mass consumer market economy. The reason for employing this design tactic is straightforward: the economic development of hinge/fringe states will unreservedly be required to ‘plug into’ the global markets—and global markets, by definition, are constantly changing, evolving. Thus, the same disciplines that allow for corporations to adapt to the often rapid changes in the global market, states, too, can utilize these

disciplines so as to more effectively adapt the state's sociopolitical processes into the wider geoeconomic fabric of interdependency. This is essentially the process tool to enable state-to-global and global-to-state interdependency.

The first diagram, Figure 23, below, is a sample corporate process generally used by modern corporations. The second diagram, Figure 24 (next page), modifies this process for applications of global interdependency development. The key observation to make from these process flow diagrams: the process flow provides an organismic rather than mechanistic method to identify—and anticipate—the multiple threads of socioeconomic data necessary to consider in the design and implementation of an economic development process. Because the process flow is organismic and anticipatory, data can be synthesized much more effectively. An example of this (and referring to Figure 24): assume a state-level *analysis* team discovers an early-stage trend that labor requirements for specific industries are beginning to change. The analysis team provides the data simultaneously to the *development* and *productization* teams, which then design a strategy and education curricula response—so that local labor markets are prepared for any change.

Figure 23 - Modern Corporate Process Flow

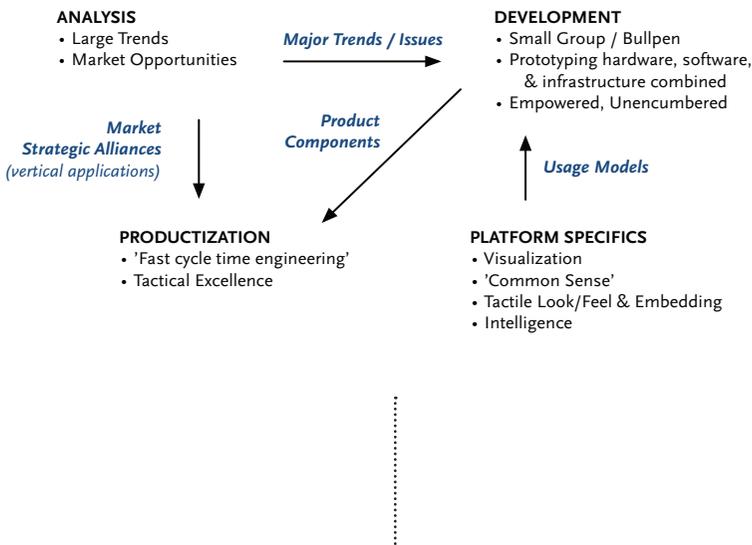
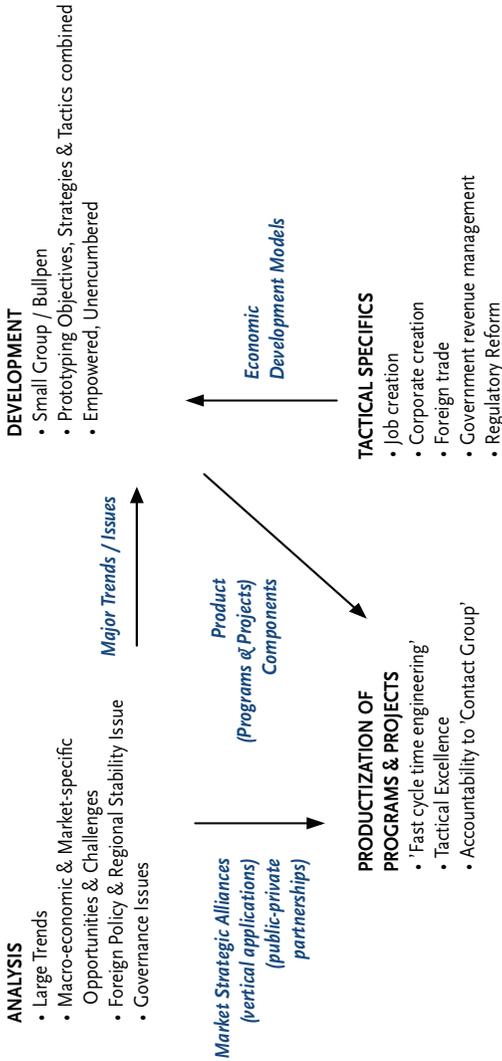


Figure 24 - Global Interdependency Development Process Flow



*Form, Not Substance*

For multiple reasons, it is important to construct local, state, and global economic development strategies based not on any specific choice of *substance*—specific automotive parts manufacturing, specific computer components research and development, specific

software development, or even specific types of theatrical film production—although indeed these components of the economy are important. Each state and local market possesses certain strengths and weakness, thus, what may be applicable to develop in one market may not necessarily be appropriate to develop in another. Each market will be required to match its strengths and weaknesses with local, state, and global market necessities.

Certainly, as Table 7 - *World Exports* (page 79) illustrates, global market demand for specific products are both identifiable and quantifiable. However, it is more important to construct strategies based on *form*, rather than *substance*. *Form* is essentially the geometric frame upon which *substance* is attached. In other words, if economics could be compared to the biological systems of the human anatomy, the development strategy process might be akin to the skeletal system which allows the other systems of the body some form of physical stability and protection. A healthy economy, then, could be described where each and all the body systems—facilitated by the skeletal system—function in a synergetic manner. The economic development process cannot pre-determine where specifically to place each organ—this is *substance*, which can only be defined by the strengths and weaknesses of any specific market. Economic examples of *substance* include the following:

- Specialization
  - *Manufacturing, heavy and light*
  - *Services*
  - *Innovation labs*
  - *Infrastructure*
  - *Agriculture*
- Size and reach
  - *Large and SME corporations, domestic*
  - *Large and SME corporations, international*
  - *Formal transnational supply and value chains*
  - *Ad hoc collaborative communities*
  - *Individual proprietorships*
- Level of autonomy
  - *Free-standing corporations*
  - *Corporations housed within business incubators*
- Labor intensive or labor-less
- Investment requirement

- *Capital investment*
- *Technology and know-how investment*

Whereas, economic examples of *form* include the following:

- Conduits for technology and know-how transfer
- Conduits for market access, domestic and international
- Networks for corporate mentoring
- Networks for targeted training of human resources
- Networks for research and development
- Integration with local, state, and multilateral governments and regulations

Without *form*, any of the components listed in *substance* could not reasonably be expected to be sustained. Unless, as an example, any single corporation (substance) can depend on an interactive infrastructure to both gain access to a reasonably well trained labor force (another substance) as well as market its goods/services (another substance), that corporation cannot be expected to operate on a competitive basis. Each community will be required to consider (practically, morally, culturally) what priorities for consumption it should hold in parallel with what production capabilities the community possesses. Further, the issues of ecosystems protection and cultural expression are vital for each community and the global community as a whole to consider.

As an example, it is possible to consider that various communities of people already possess within their authentic identities the vision and passion to apply their culture, knowledge, and skills to exploring new methods of renewable energy generation, but simply lack the infrastructure to ‘plug in’ to global markets. Several Japanese architects, as an example, have over the past several years, made substantial progress in developing new organic materials and forms of housing and building construction which are both safer and more aesthetically natural than products consumed today.

Nigerian filmmakers produce on the average about 2,000 full length films per year—some of which are now being shown in international markets. Bosnian filmmakers over the past few years have won international awards, including the U.S. Academy Award and the Berlin, Germany Golden Bear Award. Many Middle Eastern cultures have for centuries formally provided music therapy programs for

workers and citizens within both the corporate setting and health care institutions.

Economic development does not necessarily mean the ecosystems should be endangered, or cultures should forego their traditions. Indeed, if the Chinese economy could have several years ago implemented a more flexible and process-oriented economic development strategy, China, today, might not be as dependent upon inexpensive consumer goods production (which imposes price limitations for its labor force so that consumer products can remain inexpensive—and which also severely impacts the ecosystems). New Orleans, prior to the devastation wrought by Hurricane Katrina in 2005, was a city which generated the majority of its revenue from the oil industry, shipping, and tourism. Hurricane Katrina not only flooded roughly 80 percent of the city, the natural disaster unmasked large populations living in poverty—predominately African-American. The hurricane also unmasked the dysfunctional state and federal emergency response agencies, where political disputes and territorialism were carried out in public view. The reconstruction of New Orleans can be compared to the geopolitical process of nation-building: firstly, both the emergency response and reconstruction phases were essentially political venues upon which ego and power were contested (and also where incompetence was flagrant). Institutions were more focused on protecting hierarchy and control rather than serving society. Secondly, government agencies possessed no understanding that almost all economic sectors or industries are invariably subject to natural market changes. New Orleans had for so long grown dependent upon certain industries, and consequently, no attention for decades had been given to designing process-driven economic development strategies. By not enabling these process-driven processes, the labor market and society as a whole become complacent—and this complacency easily transforms to social tension when markets are inevitably forced to change.

A coal miner's strike in England beginning in March of 1984 was fraught with diverse economic and sociopolitical tensions. In part, the strike (and the public response) was animated by the protectionist role of labor unions; and in part, the strike mortally exposed the coal industry as a whole had diminished in economic importance. Beginning later that year, British Prime Minister Margaret Thatcher began closing what were deemed 'non-productive pits'—

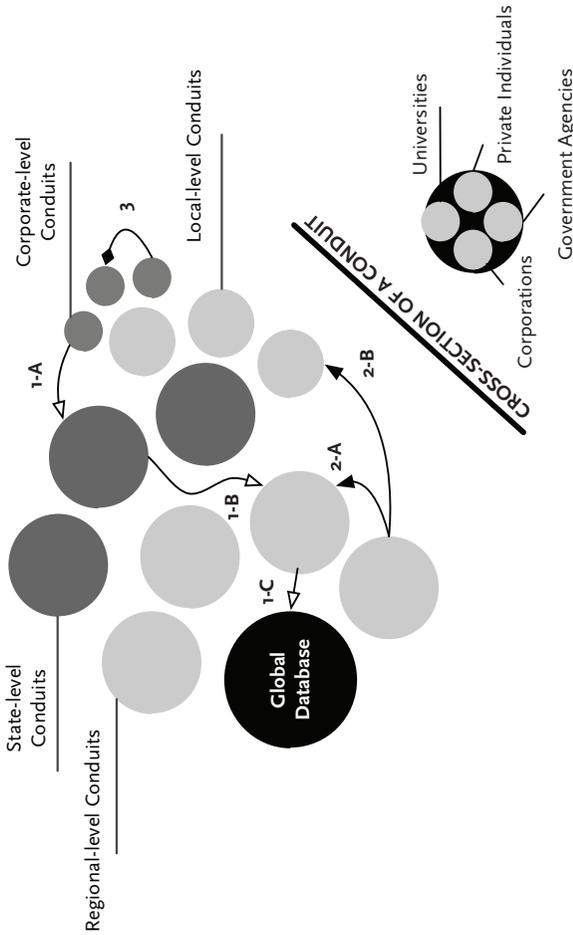
most of these mines were located in or near small rural townships. Throughout many of these townships, the coal mines were essentially the single largest employer of the local community; not only were laid-off miners affected, but pub proprietors, auto mechanics, and retail clerks also suffered economically. But something more subtle was also discernible. Walk into any local pub, it was palpable that the entire social community had—for generations—been entwined with the single industry of coal. Sons, fathers, grandfathers, mothers, daughters, and wives—all their identities bound together into not simply the coal industry, but also the very history of the coal industry.

Because small towns are very often dependent upon a particular industry, when the industry changes, townspeople have difficulty adapting and transferring their skills and knowledge to another industry. From these few examples, it should be clear that orthodox institutions are both slow to respond and hesitant to anticipate. By constructing conduits (*form*) for each population-base's diverse and unique assets (*substance*) to be globalized, the uniqueness of individual skills and social cultures can be liberated from old market dependencies and geopolitical constraints as well as past experiences of isolation and disenfranchisement.

Figure 25, next page, illustrates the core of how *form* is utilized to construct these substance conduits—each conduit is comprised of corporations, universities, government agencies, private individuals—which all feed knowledge, information, technology, know-how, market necessities, etc. throughout the network of conduits.



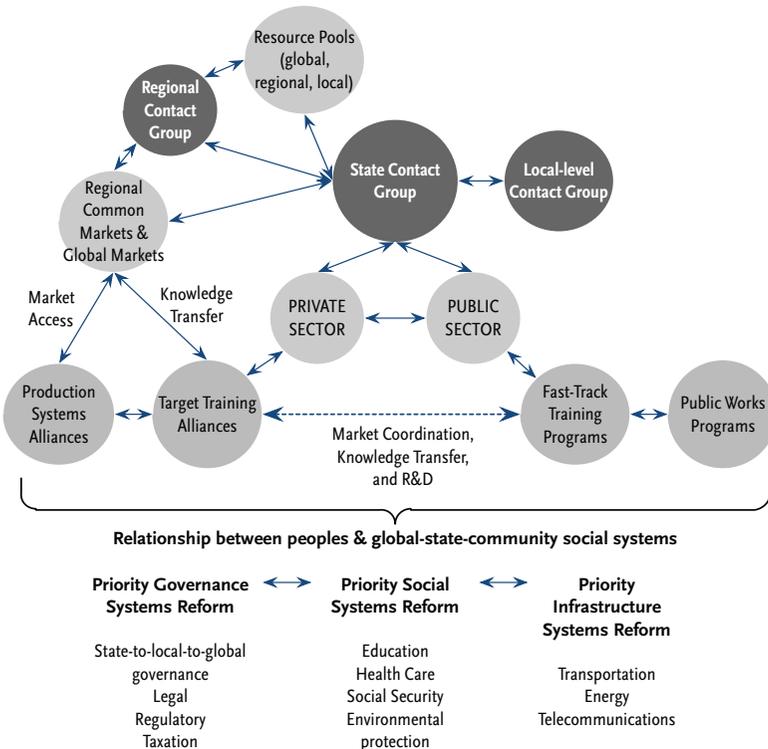
Figure 25 - A Network of Substance Conduits



Essentially, this form of conduit network will serve as the precursor of sorts to the entanglement concept relative to the Brunnian model (see Figure 17). In the Brunnian model, the entire employee base is enabled to make and carry out decisions on behalf of the company, themselves, and society as a whole. In its precursor mode, these decisions, in the main, will be facilitated by the employee organization rather than employee. In the above Figure 25, three variations of ‘substance transfer’ are illustrated. Steps 1-A, 1-B, and 1-C trace substance being contributed-transferred from a

corporate-level conduit (1-A) to any state-level conduit (even potentially bypassing its nearest local and state conduits); then, from the state-level conduit to a regional-level conduit (1-B); then, from the regional-level conduit to a global database for anyone to access (1-C). Steps 2-A and 2-B illustrate that a specific regional conduit may be able to aggregate a critical mass of substances into a ‘package of substances’ and contribute the package throughout the network. Step 3 illustrates that substance can be transferred from one corporate-level conduit (specializing in technology) to another (specializing in manufacturing). The permutations of substance-to-conduit flow are geometrically infinite. As Figure 26 suggests, a certain amount of order is required to ensure such aspects as environmental and cultural impact, infrastructure necessities, as well as national econometric consequences.

Figure 26 - State-level View: Strategy Group Process



Note particularly the role of targeted training of human resources. Orthodoxy might suggest these training programs be institutionalized within ‘separate schools’, but for two reasons, this should be discouraged: firstly, knowledge is not a personal or social asset which is separate from any facet of life, and thus the process of education can be organismically entangled throughout a myriad of formal and informal means. Discernible from this thought process should be the notion that orthodoxy tends to institutionalize knowledge and systems, whereas ‘quantum education’ is process-driven. This can be taken even further: if education were to be de-institutionalized and allowed to be process-driven, then all individuals become both teacher and student to each other—brought together by the conduit network. Secondly, the education gained in one specialization (say, quantum physics) may spark ideas in another specialization (say, economics). Thus, as local, state, and global strategies are considered and implemented, each molecule of substance, each corporate asset, each item of knowledge becomes entangled with the other—via the network of conduits and strategy groups—and the result should be a controlled explosion of sorts. The explosion to come is not only an explosion of economic activity, but also an explosion of ideas.

### *Critical Mass & Sustainability*

The principles of economic critical mass and sustainability are inseparable, two halves of the whole. In orthodox economic terms, any single stakeholder operating in the marketplace would almost exclusively be focused on consistently refining the company’s business model to find the optimum balance between production output and price equilibrium—both reacting to specific trends in resource supply and consumer demand. An *economy of scale*, then, was reached when consumer demand reached a specific volume which allowed the manufacturer to recover the conventionally high capital costs associated with industrial machinery as well as labor costs to the extent that per-unit costs were reduced, and thus, profit margins were increased.

Orthodoxy-bound stakeholders depended on engineering this economy of scale so as to sustain the company. In short, business managers were essentially engineers constructing and fine-tuning

profit margins based on a finite list of variables (raw materials price, cost of labor, cost of sales, equipment capital costs, sales revenue, profit margin, etc.).

Throughout the 20th century, however, this economy of scale based business model faced multiple evolutionary shifts. For much of the 1900s, cross-subsidies (the shifting of costs from one product to another) aided companies to attract new customers—give away the cell phone, sell the monthly calling plan; make the videogame console cheap, sell expensive games; install state-of-the-art coffeemakers in offices at no charge, sell managers expensive coffee sachets. But in the 1990s, the issue of cross-subsidies grew more complex in two fundamental ways: firstly, deciding which product to give away and which product to command higher prices was shifting. Up until the mid-1990s, computer systems manufacturers and resellers, in an effort to increase ‘box’ sales, would offer free services (ranging from hardware-software installation to maintenance). Sometime about 1995, though, the economic dynamics began to change, and these same computer systems manufacturers and resellers began to essentially give away the box in an effort to sign services contracts (profit margins on equipment had shrunk so low that higher profit margins were achievable from services). Secondly, engineering economies of scale for certain products were becoming increasingly dependent upon the economies of scale of other products.

Producing a men’s suit, as an example, was generally only dependent upon the supply and price of raw materials (and how many consumers demanded that specific style or quality of suit). Producing a software application, however, was not only dependent upon raw materials availability and customer demand; it was dependent upon both the market penetration and quality of computer operating systems software produced by some other stakeholder. Each producer became increasingly dependent upon another producer—and this producer-to-producer interdependency is the first emergence of the principle of *critical mass* as defined in the geoeconomic models presented herein. The explosive impact of the digital economy and the Hypernet, on one hand, helps a producer to reduce costs even further; but on the other hand, places the producer at odds with its own consumer. Consumers—in large part due to the vast resources available via the Hypernet—have been growing so profoundly in market influence over the past decade, and

are forcing consumer prices to deflate to essentially zero (give away the cell phone, sell the monthly calling plan no longer works because consumers have pressured phone operators to lower their prices). This producer-consumer tension, then, is what animates the second generation of the principle of critical mass: producers not simply cooperating with each other 'behind the scenes' to reduce costs, but now publicly (and frantically) cross-integrating their products/services with another producer's products/services (mobile phones capable of playing audio and video files creates a symbiotic revenue-sharing relationship between mobile phone innovators, telephone operators, and music/video artists and studios, as an example).

These evolutions in market dynamics which increasingly force any and all economic stakeholders to establish a *critical mass* of producer-to-producer and producer-to-consumer relationships is what now defines *sustainability* within the modern marketplace. No longer can individual stakeholders operate in isolation from others. No longer can economies of scale be internally engineered by simply controlling costs. In fact, while the producer is often frantically attempting to construct these producer-to-producer and producer-to-consumer relationships—the consumer, equally, is feverishly establishing consumer-to-consumer relationships via such tools as social networking sites, which only exacerbates the pressure on producers to construct even more critical mass relationships.

Resultantly, to effectively construct global economic interdependency development strategies and processes, the principles of critical mass and sustainability are vital to interlock. Thus, as Figure 22 illustrates, any single stakeholder operating within the marketplace will categorically require a critical mass of resources, cross-integration partners, and multiple access channels to consumers so as to achieve economic sustainability. The critical issue to consider regarding global economic interdependency specifically becomes how to construct a critical mass between new and emerging corporations throughout the hinge/fringe states that presently possess almost no internal market relationships. In short, the hinge/fringe states simply cannot take generations to gradually evolve into critical mass relationships as have the power states—critical mass will have to be constructed *en bloc*. This *en bloc* requisite, then, is what presently makes orthodoxy so resistant to seriously consider economic development on a global scale. And yet, it becomes progressively

apparent the hinge/fringe states are increasingly isolated from the global markets—and this isolation enables gray markets and organized corruption to fill the vacuum and endanger the global markets. This *Catch-22* between the growing asymmetries and insecurity of the global markets versus the requisites of critical mass has effectively paralyzed orthodox geopolitical systems. Again, for any development of a geoeconomic alternative to world order to be effective, it will be necessary to synthesize as many resources of economic rationalism and social-cultural assets as possible. This synthesis is made possible when process, form, critical mass, and sustainability are seen as entangling tools which make use of and mass-distribute all available assets of human, technical, and capital resources. Geoeconomics, then, is not the initiator of civilizational interdependency—civilizational interdependency is the initiator of geoeconomics.

Finally, the initial geoeconomic modeling process can now be examined. In the modeling process which follows, the process is actually divided into two distinct models. The first model, *Level Playing Field for Interdependent Livelihood*, is effectively the investment model to establish an economic level playing field for all states to participate in the global markets. This first model is also a direct precursor to the second model, *Labor-less Interdependence of Livelihood*, which is effectively a model for radical change in the very essence of how economics has conventionally functioned—the end result being the initiation of a new form of personal-to-global economic and social interdependency.

## 2. Paradigm: Interdependent Livelihood (Model 1)

### *Establishing Geoeconomic Targets*

**Macroeconomic Considerations.** The intention of the following geoeconomic modeling process is not to fulfill an academic imperative, but rather, to only provide the broad brush strokes of a vision. Assuredly, professional economists and academicians will find the detail of the models severely lacking—but hopefully, the philosophical argument for geoeconomic interdependence will not be overlooked, and others might explore and test the vision in greater detail.

Further, the intention of not only the geoeconomic models, but indeed this entire thesis, is not to argue that global economic development is an issue of wealth redistribution—instead, the argument is that vast untapped value already resides in the minds and imaginations of presently disenfranchised populations throughout the world. By investing in a level economic playing field for all states to participate, this untapped value can finally be made manifest. A nearly infinite number of indicators—spanning personal, societal, macro- and micro-economic, political, internal, and external factors—all converge to determine the health and sustainability of any society. Such factors as economic production capacities; standards and access to housing and public utilities; standards and curriculum of education; standards and resources of health care; social freedoms; civil liberties and responsibilities, and the like, are all vital to interweave into any economic development process. However, because to consider such a voluminous set of factors would effectively require a separate book on its own (if not several volumes), herein only four primary indicators are used to define state economic sustainability—*per capita* GDP, employment rate, research and development (R&D) spending, and export-oriented corporate registrations. Admittedly, the choosing of these particular four indicators can be alleged to be excessively unsophisticated or even patently subjective, but it can equally be argued these four primary targets represent a set of indicators—that if they were achieved, would most likely indicate that the largest part of the other socioeconomic targets had also been achieved.

National output, or national income, is generally accounted in two ways: Gross Domestic Product (GDP) is the total value of goods and services produced within a country over a period of time, usually a year; Gross National Product (GNP) is the total of incomes earned by residents of a country regardless of where the assets are located. In other words, the income earned by a U.S.-owned business based in China would be considered part of the U.S. GNP, not China's. For the purposes of constructing the following two geoeconomic models, GDP will be used in the model's calculations—reason being that GDP more accurately than GNP corresponds to a nation's *per capita* earnings. Further, there are socioeconomic distortions inherent within the GNP accounting process. An example: Intel Corporation, a U.S. manufacturer of microprocessors and integrated circuits, builds an

advanced, US\$ 2.5 billion chip fabrication plant in Dalian, China. On the surface, the plant appears to be a benefit to the Chinese economy and Intel shareholders. But upon deeper examination, it is questionable the plant is indeed in the best interests of the U.S. economy, or for that matter, the U.S. and Chinese civilizations. Firstly, the Chinese economy and civilization—resistant to apply its own ingenuity and investment resources toward modern global economic requisites—is benefiting by gaining effortless access to chip innovation and production technology created by American researchers and American companies, which did apply its own ingenuity and investment resources. Because the acquisition of technology was effortless on the part of the Chinese, and is devoid of any act of reciprocity, the Chinese economy and civilization feel no remorse in transferring this new knowledge and experience to improve their other national industries, often illegitimately and without consent from or compensation to the original developers of the technology (thereby exacerbating the gray and black markets). The supposed reasoning given to the public for Intel's decision to build the plant in China is that lower labor costs would contribute to lower costs to the end-consumer. Computer chip production facilities, however, are not particularly labor intensive.

A study by the Semiconductor Industry Association found that 90 percent of Asia's cost advantage over U.S. production is attributable to government subsidies and tax breaks. In the case of Intel's China plant, it has been estimated these subsidies amounted to about US\$ 500 million. Thus, if the essential nature of the investment is assessed, what is actually occurring is that a U.S. company is transferring to another national economy both tangible and intangible assets of immeasurable value which required decades of innovation and investment—for the express purpose of avoiding U.S. social and tax responsibilities, while at the same time receiving cash subsidies from the Chinese government.

This type of abridged economic activity only intensifies the government's role in preserving the authority to maintain aggregate demand. Indeed, as mentioned earlier in regards to Friedman, in post Cold War U.S. economics, the U.S. government has attempted to reduce its role in maintaining aggregate demand, leaving this to the larger market forces. Still, however, various U.S. corporations which have not modernized their own business models so as to be competi-

tive in the global knowledge economy, have grown dependent upon some type of government role in maintaining aggregate demand, and thus seek out foreign governments to fulfill this old economy role. Consequently, regarding GNP accounting methods, socioeconomic distortions and asymmetries affecting U.S. economic activity, domestically and transnationally, are elements to be eschewed in the geoeconomic modeling process.

Macroeconomics is, in the main, concerned with what determines the size of national incomes, its stability, and its relationship to variables such as unemployment and inflation. In conventional terms, the size of a country's potential national income at any particular moment depends on its assets of production—labor, capital, and its technology. However, it is important to state that many of the conventional macroeconomic paradigms, including the specific indicator of GDP are now considered by modern-day economists as outdated. The reason for this can, in part, be attributed to the fact that macroeconomics, in general, and national income accounting, in specific, is based on valuations of *tangibles*. National output/income is predominately concerned only with defining 'final demand'—the moment when a tangible purchase has been consummated—consumption (personal expenditure on items such as food, clothing, appliances, and cars); government spending; net exports (exports minus imports); and investment (spending by businesses on items such as new facilities and equipment). However, the role of *intangibles*—brand equity, organizational and human competencies, firm-specific resources (such as the secrecy of the formula for Coca Cola®), scientific R&D, non-scientific R&D, and computerized information, as examples—are not yet calculated in national income or in other indicators such as the consumer price index (CPI). Both corporate-level and national income accounting practice has historically treated expenditure on *intangible* inputs as an intermediate expense and not as an investment that is part of GDP—although the U.S. National Income and Product Accounts (NIPAs) has recently included software in its calculations.

An example of this asymmetry between tangible and intangible value is highlighted in a National Bureau of Economic Research Working Paper (11948), *Intangible Capital and Economic Growth*, 2006, which observes from 1973-1995, capital investment accounted for 59 percent of labor productivity growth when intangibles are included,

but only 44 percent when they are excluded. From 1995-2003, the differentiation is even greater, with capital investment accounting for 54 percent of growth when intangibles are included but only 35 percent when they are excluded. What these figures clearly demonstrate is that intangibles have a quantifiable and increasing impact on labor productivity, and hence, profit and growth potential—yet, U.S. and global institutions have hitherto not modernized their accounting methods. Orthodoxy continues to maintain its fossilized adherence to tangible value, whereas modern economics and civilizational activity are increasingly displaying quantifiable intangible value.

Irrespective of these macroeconomic asymmetries, the geoeconomic models presented herein shall not attempt to create any new accounting methods or econometric terminologies, for this perhaps would be disorienting to the average reader. However, an effort shall be made to delineate investment, value, and output in broader terms to include both tangible and intangible value.

**Primary Developmental Targets.** The four primary targets defining state economic sustainability to be used in the geoeconomic models:

- Raise overall per capita GDP to a minimum of US\$ 5,000. Because the average working age population (age 15-64) of any state is about 54.6% of the total population, the actual working population needs to be earning about US\$ 9,158 per capita GDP.
- Raise the overall employment rate to 95% of the working age population.
- Raise global R&D focus to 2.24% of GDP (OECD mean average).
- Raise export-oriented corporate registrations focused on attracting and implementing value-chain and international production systems to a minimum of 40% of total global corporate registrations.

The first indicator relates to *per capital* GDP (Gross Domestic Product). The logic, here, is that for a society to generate a widely dispersed per capita wealth (rather than wealth generated/retained predominately by the elites, or the state itself), it becomes a necessity for society to possess access and protections that relate to all

the individual components of a healthy state, such as housing/utilities, education, health care, transportation, etc. The Organisation for Economic Cooperation and Development (OECD), as do the vast majority of the economist community, define the minimal per capita GDP necessary to sustain the security of a state is US\$ 5,000 per year. But per capita GDP, in and of itself, is a misleading indicator. An example: assume a state has a population of 1 million citizens and an overall state GDP of US\$ 5 billion. This would mean by orthodox accounting standards, per capita GDP would be calculated at US\$ 5,000 for each of the state's 1 million citizens. But reality dictates that not all of the 1 million citizens will indeed contribute to the whole. The aged, the infirm, and the infant young do not, conventionally, contribute to economic revenue (indeed, they often require economic expenditure). Or, possibly, the state may generate the vast majority of its US\$ 5 billion GDP via the sale of oil to foreign buyers—with revenues most likely retained by elites, exacerbating unemployment. Thus, so as to compensate for the potential asymmetries inherent within per capita GDP indicators, the second indicator of employment is assimilated into the models.

By combining these two indicators of per capita GDP and employment, a more definitive picture can be seen with respect to a state's economic capacity to sustain the security of the state. Table 30 and Table 31, below, identifies the general present-day status of global GDP, per capita GDP, and unemployment indicators. For simplicity, the world's states have been divided into three tiers, defined by their level of per capita GDP output (see *Appendix* for complete list).

As is seen, 107 states presently operate below the empirical benchmark for economic, social, and political sustainability—and equally, are burdened with an average unemployment rate of 30%. 30 states (generally, the OECD states) presently operate with a higher level of relative per capita output in balance with semi-sustainable unemployment rates (12%). However, the Tier 1 12% unemployment rate average reveals the 'under-the-surface' weakness of even the OECD markets. It is generally considered an optimum unemployment rate of 5% allows for essential market/labor flexibility—and it is almost certain the changing demographics of OECD states will increasingly apply further pressure upon this 12% rate (changes due from ageing populations, low birth rates, and even from technology depressing labor demand). The Tier 2 states, then, due to their higher

unemployment rate average (19%), are in even greater jeopardy of destabilization.

**Table 30 - Per capita GDP of the World, 2005 (Simplified Tiers)**

	Per capita GDP	Number of States
Tier 1	\$27,700 +	30
Tier 2	\$5,001 - \$27,699	93
Tier 3	\$0 - \$5,000	107

**Table 31 - Per capita GDP in relation to Unemployment, 2005**

	GDP Component		Population-Unemployment Component			
	Overall GDP (combined)	per capita GDP (averaged)	Population	Labor Age (15-64)	Unemployment of Labor Age	
	US\$ Billions	US\$	# millions	# millions	# millions	%
Tier 1	27,225	33,057	821	448	54	12
Tier 2	20,771	12,960	2,619	1,430	267	19
Tier 3	7,627	2,214	3,011	1,644	501	30

Targets 1 and 2 (per capita GDP and employment rates) are now taken in reverse order; here, it is the intention of global geoeconomic sustainability to achieve the optimum unemployment level of 5% of the labor age. Inescapably, then, new employment opportunities will need to be created. Indeed, this employment creation focused intention contradicts the very essence of orthodox multilateral institutional emphasis on 'poverty reduction'.

**Table 32 – Employment Creation, not Poverty Reduction**

	Labor Age (15-64)	Presently Employed	New Jobs to Add
	# millions	# millions	# millions
Tier 1	448	395	31
Tier 2	1,430	1,163	196
Tier 3	1,644	1,143	419
<b>Globally</b>	<b>3,522</b>	<b>2,700</b>	<b>646</b>

Table 32 identifies that 646 million new jobs need to be created on a global scale so as to enable global economic sustainability. By assimilating the per capita GDP component with the employment component, two socioeconomic principles emerge: 1—it is essential to identify the types of jobs which generate the revenues necessary to achieve a minimum per capita GDP of US\$ 5,000. A farm laborer, as an example, is likely to generate substantially less revenue than a software engineer—thus, creating an overbalance of low-paying jobs would not achieve sustainability; 2—the broad distribution of new wealth generation opportunities throughout the population more efficiently facilitates market resilience.

If only base averages were considered, it would be seen the average working age population (age 15-64) of any state is about 54.6% of the total population—thus, the actual working population needs to earn more than US\$ 5,000 (base average calculations: US\$ 9,158 per capita GDP) so that overall national GDP can be averaged at US\$ 5,000. However, because of two factors, this US\$ 9,158 figure will be increased for the models. First, when Tier 3 states are subjected to demographic asymmetries caused by statistical variations in working age populations, etc., a average working age per capita GDP of US\$ 10,000 is required for the overall national GDP to rise just above US\$ 5,000. Second, intangibles are conventionally unaccounted in orthodox GDP indicators—and because intangibles are a vital component of modern economics—the per capita GDP targets will be raised by an additional 30% to reflect modern contributions of intangibles to labor productivity. The final working age average per capita GDP for Tier 3 states is US\$ 13,000—and thus, the final overall average national per capita GDP equals US\$ 6, 743. Per capita GDP for Tier 1 and 2 states have also been adjusted for projected increases in labor productivity, accounting for both tangible and intangible contributions. The following Table 33, then, illustrates the impact on global per capita GDP and overall national GDP by increasing per capita GDP throughout all three tiers of the global economy. Note that per capita GDP in Tier 3 states is raised to slightly more than minimum sustainability levels—in practice, these targets should be adjusted much higher.

Table 33 - Creation of New Demands &amp; Supplies

	Per capita GDP (averaged)			National GDP		
	Present-day per capita GDP	New per capita GDP Benchmark	% change	Present-day GDP	New GDP Benchmark	% change
	US\$	US\$		US\$ Billions	US\$ Billions	
Tier 1	33,057	51,158	55	27,225	41,999	54
Tier 2	12,960	16,265	25	20,771	42,591	105
Tier 3	2,214	6,743	20	7,627	20,305	166
<b>Global</b>	<b>16,077</b>	<b>24,722</b>	<b>54</b>	<b>55,624</b>	<b>104,895</b>	<b>89</b>

Table 34 - Shifts in Global Market Dynamics

	Present-day GDP	% of total	New GDP	% of total
	US\$ Billions	World GDP	Benchmark US\$ Billions	World GDP
Tier 1	27,225	49	41,999	40
Tier 2	20,771	37	42,591	41
Tier 3	7,627	14	20,305	19
<b>Global</b>	<b>55,624</b>		<b>104,895</b>	

As the above two tables illustrate, when a level playing field for economic interdependency is established on a global scale, the essential dynamics of the markets shift. In terms of growth measured within each tier (Table 33), all three tiers experience growth—but Tier 2 and 3 states experience the highest growth in comparison to their initial output. In terms of production output based on global population demographics (Table 34), percentage of total output decreases in the Tier 1 states (generally, the OECD states) and increases in the Tier 2 and 3 states. However, it should be noted that even in this Model 1, the notion of *value* is still defined by *output*. Later, Model 2 will, quite severely, turn this notion on its head.

The global establishment of an economic level playing field would increase both investment capacity and consumer demand—by generating substantial new reservoirs of disposable income and consumer product growth. Increasing disposable income is obviously beneficial to all states (particularly Tier 2 and 3 states). But increasing global reservoirs of disposable income is also particularly beneficial to the present Tier 1 states (*innovative-diverse* economies) which produce more sophisticated and expensive goods/services,

but which hinge/fringe state markets cannot presently afford. What this model cannot address directly, however, is defining the specific composition or substance of the new markets. Whether the new wealth is generated from day-to-day consumer based production-consumption, or alternative energy solutions—this can only be decided by individual conscience and public debate. By establishing a globalized critical mass of higher-level skill sets and diverse markets upon a level playing field, hinge/fringe states would no longer be held captive to their conventional (and low paying) resources of wealth generation, such as agriculture, exploitation of natural and human resources, etc. From a social perspective, this can only benefit and sustain the notion of fundamental human respect. And from a market security perspective, these new reservoirs of wealth generation would severely diminish the impact that corruption, gray markets, and uncollected tax revenues presently has on all states.

As markets demand higher-level skill sets, effective education, then, becomes of paramount importance. The increased tax revenues collected from increased market activity would then facilitate these education systems to be both sustainable and relevant to the needs of society. Since all states operating on the level playing field are focused on balancing the benefits of self-initiative with the obligations of self-restraint, the notion of ‘outsourcing’ existent production capacity to a foreign state merely to exploit cheap labor, no longer is an inducement. Essentially, the global level playing field begins to evolve classical and neo-classical economic theory to a point where *labor* as a function of determining product value is diminished. This evolution of diminishing labor value, then, begins to foreshadow the establishing logic of Model 2. Since new reservoirs of wealth generation are to be established via the global level playing field, labor will be less inclined to migrate to foreign states simply to locate customary employment opportunities. Specialized skill sets, however, would certainly still require labor movement. Further, since these new reservoirs of wealth generation will require all state governments to reform and adhere to international standards of rights and responsibilities (see below), political asylum migration would also be substantially diminished.

The present outlook for hinge/fringe states is that a nexus has been created between inefficient and non-productive markets, weak governments, dependence upon gray markets, organized corruption

networks, negligible tax revenues, and disenfranchised citizens. As a consequence of this nexus, it becomes essentially unrealistic to expect that a weak government could somehow implement internationally-mandated *democratization* programs, and by somehow doing so, expect economic development to occur at substantial levels which could effectively keep the negative influences at bay. By implementing a global economic level playing field, a critical mass of economic assets, stakeholders, and good governance expectations can be brought to bear on the state, its citizens, and the otherwise negative influences within the state—all to the extent that the state's general public, itself, would not tolerate negative infiltrations into its new socioeconomic fabric. Thus, it becomes the desire of society as a whole to engage itself in the endeavors of nation-statehood, including all its component foundations such as the protection of human rights, the securing of higher standards of living for its peoples, and actualizing the balance of self-initiative with self-restraint. This, then, leads society and its state to more effectively understand socioeconomic consequences to the general environment, as well as fundamental applications of urban and rural development/protection. Again, this more enlightened and engaged society becomes a dynamic participant in the larger global society, interdependent, and focused on the occupations of their human art, their livelihoods.

Market interdependency gives rise to the dialectic confrontations between market reason and market critique. In the end, market interdependency becomes exactly what we define it to be. The orthodox 'invisible hand of the market' is just a coded way for the elites to manipulate the serendipities of 'fate' for its own end. A level playing field for product-to-product market competition (rather than societal competition) removes this invisible hand. Innovation, production and consumption are made visible and comprehensible to all—the *visible hands and brains of the market*. We innovate, produce, and consume whatever we imagine, and whatever our consciousnesses and free will determines as valuable. The word *value* will continue to evolve to possess new meanings.

Targets 3 and 4—Raise R&D focus to 2.24% of GDP (OECD mean average), and raise export-oriented corporate registrations focused on attracting and implementing value-chain and international production systems to a minimum of 40% of total global corporate

registrations—are now considered. In an effort to diminish civilizational dependency upon access to and control of national resources and cheap labor, it is vital to facilitate a substantial portion of the world's human resources to the generation of 21st century assets of value—namely, intellectual property and services. To which industries should research and development (R&D) be focused? This is answered, partially, by viewing what specifically comprises the nature of world exports (see Table 7, page 79).

A few of the major sources of exports are: electronic microcircuits; parts and accessories for data processing machines; television, radio and related transmitters and receivers; medicaments; complete digital central processing units; other electrical machinery and equipment. Another manner in which to determine a potential focus of global research and development is to view what priorities the OECD markets presently hold. In Table 35, below, R&D expenditure trends within OECD markets are compared. Not surprising, services, pharmaceuticals, and electronics enjoy the highest growth rates, whilst it is the business and higher education sectors which conduct the overwhelming majority of R&D. Indeed, government R&D has significantly declined by -15.3% between 1990 and 2001 (another indicator that governments are decreasing their authority to maintain aggregate demand).

**Table 35 - R&D Expenditures Trends, OECD**

<b>R&amp;D expenditures by industry (as % of total R&amp;D)</b>			
	<u>1990</u>	<u>2001</u>	<u>% Growth</u>
Services	12.4	19.4	57.2
Pharmaceuticals	5.9	8.2	39.0
Electronics	11.2	13.3	19.3
Instruments	2.7	2.7	-2.3
Aerospace	3.6	2.8	-22.2
Office Machinery & Computers	3.2	1.6	-49.7
<b>R&amp;D expenditures by performer (as % of total R&amp;D)</b>			
	<u>1990</u>	<u>2001</u>	<u>% Growth</u>
Business	69.3	69.7	0.6
Higher Education	15.8	17.1	8.2
Government	12.4	10.5	-15.3
Private non-profit	2.5	2.7	8.0

Another direction for R&D research might perhaps be influenced by the global community working together to discover solutions to

protect the earth's ecosystems, especially with respect to finding alternative energy solutions as well as water management alternatives. With this in mind, note private non-profit R&D increased over the time period by 8 percent (Table 35). Today, global R&D investments total about US\$ 1.2 trillion. However, as Table 36 demonstrates, by all states committing about 2.24% of national GDP to research and development, global R&D investments would be increased to about US\$ 2.3 trillion, nearly doubling present-day levels.

**Table 36 – Creation of New Global R&D Focus**

	<b>New GDP Benchmark</b>	<b>2.24% GDP Applied to R&amp;D</b>
	US\$ Billions	US\$ Billions
Tier 1	41,999	941
Tier 2	42,591	954
Tier 3	20,305	455
<b>Global</b>	<b>104,895</b>	<b>2,350</b>

The final target—raise export-oriented corporate registrations focused on attracting and implementing value-chain and international production systems to a minimum of 40% of total global corporate registrations—can be readily demonstrated by viewing present-day exports as a percentage of total GDP. Tier 1 states presently export an average of 23% of national GDP; Tier 2, 18%; and Tier 3, 11%. Thus, raising exports to about 40% of GDP (using the new GDP benchmark) would have the following projected impact:

**Table 37 – Creation of New Global Exports**

	<b>Present-day Exports</b>		<b>New Exports</b>		
	US\$ Billions	% total exports	<b>40% GDP to Exports</b>	<b>% Change</b>	% total exports
Tier 1	6,262	58	16,800	168	40
Tier 2	3,739	34	17,036	356	41
Tier 3	839	8	8,122	868	19
<b>Global</b>	<b>10,840</b>		<b>41,958</b>	<b>287</b>	

Again, as with projected GDP targets, all states would enjoy exponential rises in exports in relation to their present levels. As a percentage of total world exports, Tier 1 states decline, whilst Tier 2 & 3 states increase. Tier 1 states, nonetheless, should not be uncomfortable with this change in market dynamics. Tier 1 states will most likely possess substantial assets of intellectual property investments made into the Tier 2 and 3 states via the level playing field development process, and thus would enjoy IP royalties from a certain amount of these new global exports. The above four targets are simply econometric extrapolations from a series of sociological principles inherent within a vision of geoeconomic interdependency. Targets, which if achieved, would substantially indicate that global economies were operating interdependently with each other. Targets, which if achieved, would provide a secure foundation upon which to establish global interdependency of livelihood and perpetual peace.

### *The Pre-planning Process*

Earlier, a concept of utilizing a *network of conduits* to feed into the global markets knowledge, information, technology, know-how, market necessities, etc. was presented—each conduit comprised of corporations, universities, government agencies, private individuals. Then, it was presented via this network of conduits, *local-to-global strategy groups* would be enabled to more effectively construct localized economic development and sustainability strategies—which in turn, would ensure such aspects as environmental and cultural impact, infrastructure necessities, as well as national econometric consequences were maintained. These types of processes and structures are vital to consider so that the planning process toward global economic interdependency and sustainability can be both effective as well as egalitarian in its design and execution. It was also mentioned earlier that once strategies have been designed, these strategies are then translated into tools and tactics—the on-the-ground actions of strategy.

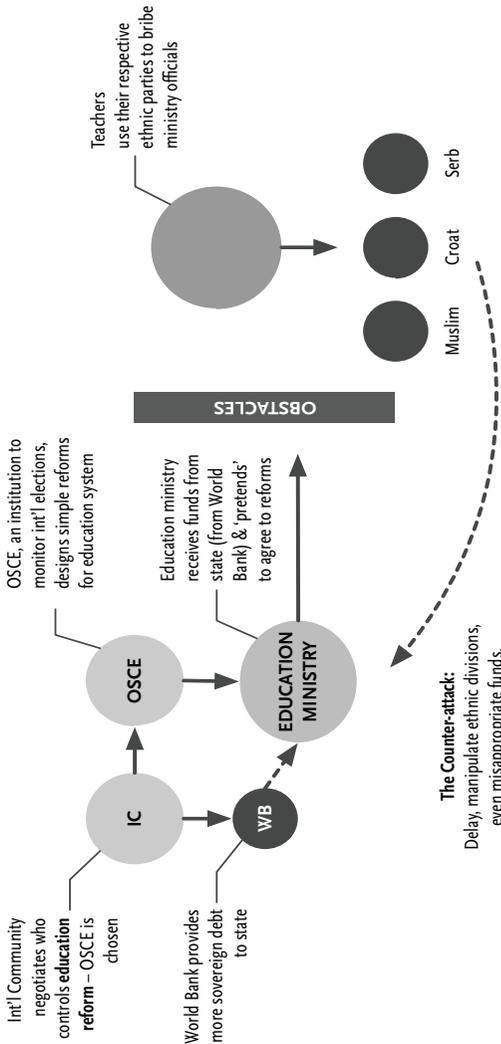
Tools and tactics are not elements to be designed by mere opinion or subjective experience—they require careful and comparative considerations of socioeconomic principles and experiences. A few examples of tools and tactics are presented below that draw

from insights made within the nine-year nation-building case study of Bosnia-Herzegovina.

**Example Uses of Tools & Tactics.** One of the more profound challenges for hinge/fringe states relates to gaining access to modern knowledge and technology assets in an effective manner—particularly in relation to corporate and institutional management techniques. In Bosnia-Herzegovina, as an example, two entwined obstacles exist, one part of its own making, and the other as a normal consequence of being isolated from aggressive global market competition. Still today, Bosnia-Herzegovina’s education system is controlled by older teachers and administrators who simply possess negligible if any experience in modern applications of knowledge—but are loyal to particular ethnic political parties (see Table 23 for an example of outdated curricula). Rather than establish a healthy and dynamic relationship with international resources so as to modernize the knowledge base of the state and its future workforce, the teachers and administrators join together to actively corrupt the entire system of education. This is done in part by the vast majority of the teachers banding together along ethnic lines to obstruct any change in curriculum (a change in curriculum one day might affect say, the mathematics department, but the engineering department the next day), and then they literally blackmail students to adhere to the status quo by threatening, as an example, to ‘find mistakes in their exams’ and thus deny the students passing marks in class. This is why Bosnia-Herzegovina’s education system has become stagnant (and hence, irrelevant) over the past 10 years. Further, a great number of teachers augment their negligible salaries by “writing” class textbooks, and forcing students to purchase the textbooks.

As a consequence, Bosnia’s youth are trapped into either attending a largely irrelevant school or finding ways to migrate out of Bosnia-Herzegovina. As international corporations attempt to expand into the Bosnia-Herzegovina market, these corporations unconditionally require well educated human resources, but in today’s market, these human assets are simply limited. Figure 27 (next page) illustrates a typical International Community ‘reform’ tactic: a carrot and stick approach targeting the government ministry (either corrupted or ethno-nationalistically manipulated). As always, though, the Bosnian stakeholders are ready with their ‘counterattack’.

Figure 27 - A Typical Reform Tactic (with Bosnian Counterattack)



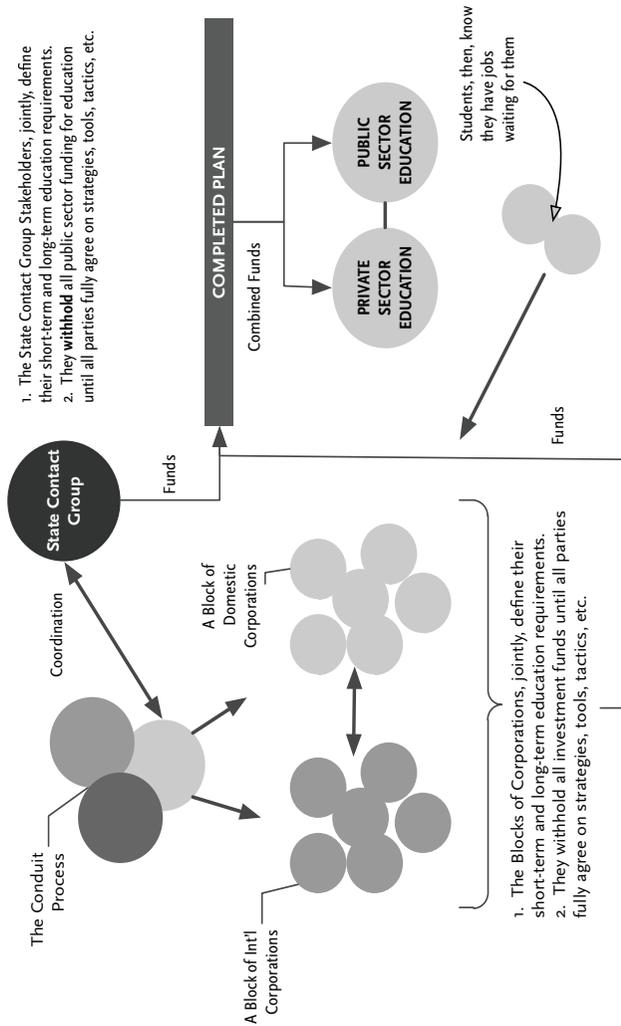
Because the International Community is viewing education reform merely as a geopolitical policy exercise, nothing discernible animates the intentions and directions of education. Because there are no real intentions presented by the International Community regarding the practical applications of education (such as adequately preparing the workforce, etc.), ethnic extremists and corrupt offi-

cials flood into the vacuum, and wage the ubiquitous Bosnian counterattack (delays, manipulations of ethnic divisions, even misappropriations of donated funds). Since there is little modern economic activity in Bosnia-Herzegovina, few Bosnians, if any, feel compelled to initiate their own reforms. Each looks to the other to solve the problems. The effective application of well-considered tools and tactics, however, could conceivably break beyond these antagonisms.

So as to circumvent geopolitical and hierarchical orthodoxy—and so as to establish a geoeconomic level playing field—the following Figure 28 illustrates a possible alternative tactic which: 1—targets specific education needs; 2—provides a basis for limiting the obstacles positioned by the older cadre of teachers and of the ethno-nationalists. The tactic uses the economic-focused stakeholders operating within the *network of conduits* to first sketch out an overall economic development plan with the *state contact group*, and from that economic plan, the education curricula necessary to prepare the workforce is developed. Once the economic and education plans have been developed, then—and only then—funds from the corporate sector stakeholders and International Community are released. This type of tactic, then, can also be applied to other non-economic agenda—because the tactic is not based on a pre-determined definition of substance, but rather, on the form and process which facilitates the stakeholders to become interdependent.



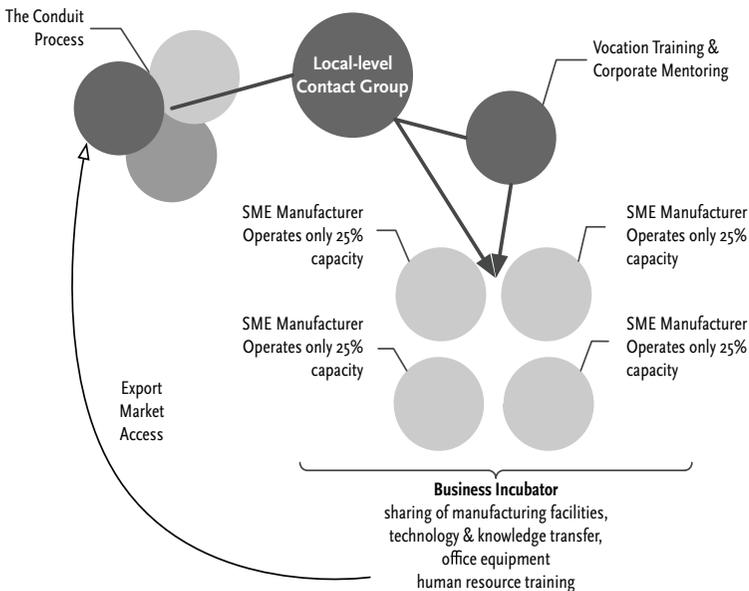
Figure 28 - Critical Mass Education Tactic



As stated earlier, the average job creation cost (hiring, administrative, training, taxation, etc.) is about US\$ 10,000 per job created. A specific tactic that can be employed to dramatically reduce this cost is to establish what are referred to as *business incubators*. In the U.S., about 80% of SMEs fail within their first three years. This is primarily due to the SME being overburdened with start-up costs, such as manufacturing or office space, equipment purchases, even

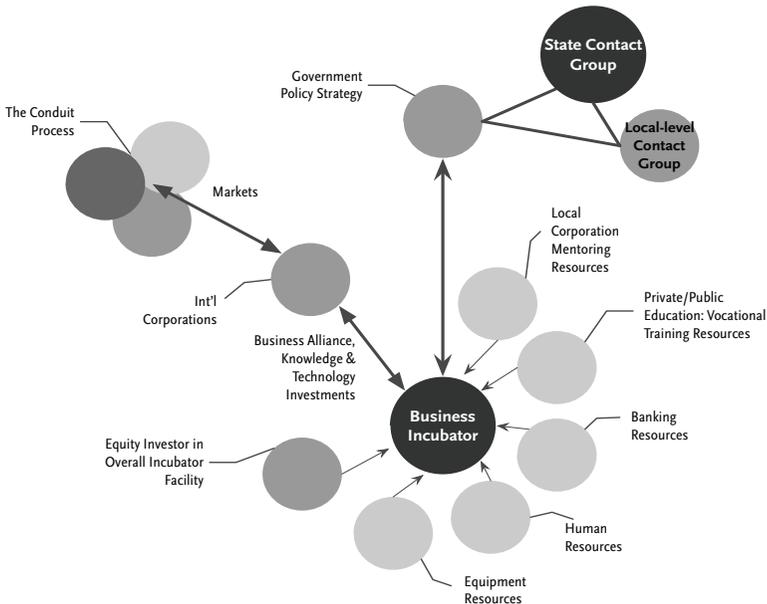
human resources training. Thus, a business incubator is a multi-corporate structure within which multiple start-ups can ‘incubate’ (until they are large enough to go it alone). Figure 29, below, illustrates how a business incubator might work within the framework of an economic interdependency development process. Assume four SME manufacturers presently have clients/contracts demanding only about 25% of their equipment output—and if operating outside a business incubator, these SMEs would generally only use their manufacturing space for a few hours a day. But if housed within a business incubator, four separate manufacturers share in the cost of the manufacturing space and equipment, and allow the space to operate at full 100% capacity, thus earning each company substantial cost savings. Job creation costs, too, are reduced as a consequence of the companies sharing hiring, administrative, and training costs—typically these cost reductions can result in the job creation cost to be reduced to about US\$ 1,000 per job created.

Figure 29 – Business Incubators for the Creation of Critical Mass



As can be seen in Figure 29, above, not only do the four SMEs benefit from overall cost reductions, they gain access to local, regional, state and global market resources (technology, know-how, even new contracts) via the *network of conduits* infrastructure. This interdependency, then, helps to build a *critical mass* of socio-economic resources and stakeholders. Figure 30, then, illustrates a critical mass of the resources required to design, implement, and maintain a business incubator.

Figure 30 – Critical Mass of Resources Needed for Biz Incubators



As a final example of a tool-tactic that was pursued neither by the International Community nor the Bosnians: in 2003, nine companies in Bosnia-Herzegovina produced 38% of the state's total national profits. Today, because of organized corruption, in partnership with ethno-nationalist political parties, those profits have been lost to theft. Further, no domestic private equity investment banks presently exist in the state. However, if a tactic had been employed to appropriate, say, 50% of the profits earned by these nine companies into a 'trust fund' over the past 10 years—with an annual interest rate of 5.24%, today there would have been a total of US\$ 681.95 million in principal and interest accrued in the trust

fund. This fund, then, could have been the core investment into a fairly sizable private equity fund. This is particularly important to balance foreign investments with domestic investments as international markets interface with domestic markets. These examples of tools and tactics concepts can be traced back to the essential three intentions of establishing a geoeconomic level playing field (create new demands and supplies; create new corporations; and create new jobs), which, in turn, are traced back to the essential goal of implementing state interdependency development. The matrix that interconnects all these diverse processes of action, reason, and critique are multi-dimensional and cannot be instituted in the simplistic and *ad hoc* fashion as is the present *modus operandi* of nation-building and orthodox geopolitical systems.

The issue of accountability, particularly with respect to geopolitical practice, is often eschewed throughout geopolitical systems. Hundreds of billions of dollars in World Bank/IMF debt (sovereign debt) are written off. Oil-for-food scandals and even US\$ 7 billion reported missing from Iraqi reconstruction funds simply reinforce the notion that systems of geopolitical orthodoxy and territorialism simply cannot be held accountable. How can democratization programs be quantified—by the number of government agencies created per year? How can policy reforms be quantified—by the number of pages written into law? Since the specific strategic objectives of the economic interdependency development process outlined above are based on quantifiable objectives: create new demands and supplies; create new corporations; and create new jobs, then each of these objectives can consistently be measured. Thus, if the outcomes can be measured, they can then be effectively subjected to the dialectic crucible of logic and reason, then critique.

### *Corporations, Employment & Investment*

Labor, at least initially, needs to operate within some organized format and group, typically a corporate or *ad hoc* collaborative community structure. Thus, new corporations-collaboratives to house the new labor force and facilitate new wealth generation will be required, Table 38).

**Table 38 – Labor-to-Corporate Distribution**

<i>Labor Distribution Assumptions</i>		% of Market	
Labor per Large Corp	400	20%	
Labor per SME	25	60%	
Labor per Ad hoc Community	150	20%	

	New Jobs to Create	New Corporations to Create		
		Large Corp	SME	Ad hoc
	# millions	#	#	#
Tier 1	31	15,548	746,290	41,461
Tier 2	196	97,853	4,696,967	260,943
Tier 3	419	209,377	10,050,089	558,338
<b>Globally</b>	<b>646</b>	<b>322,778</b>	<b>15,493,346</b>	<b>860,741</b>

Each of these corporations-collaboration communities will require investment capital (to construct facilities; purchase raw materials, production equipment, and intellectual property, etc.). Each of these new corporations-collaboration communities will be required to bear what is referred to as *job creation costs* (costs associated with hiring, training, administration, and taxes, etc.). The average job creation cost, averaged globally, is about US\$ 10,000 per job. With careful planning, however, these investments can be reduced to about US\$ 1,000 per job. The geoeconomic models utilize this lower figure (Table 39).

**Table 39 – Corporate Investment in Economic Interdependence**

<i>Investment Assumptions</i>				
Investment per Large Corp	\$50,000,000			
Investment per SME	\$1,500,000			
Investment per Ad hoc Community	\$5,000,000			
Job Creation Cost	\$1,000			

	Large Corp	SME Ad hoc Community			Total Investment Cost
		Job Creation Cost			
US\$ Billions					
Tier 1	777	1,119	207	31	2,135
Tier 2	4,893	7,045	1,305	196	13,439
Tier 3	10,469	15,075	2,792	419	28,754
<b>Globally</b>	<b>16,139</b>	<b>23,240</b>	<b>4,304</b>	<b>646</b>	<b>44,328</b>

The essential vehicles of job creation (corporations-collaboration communities)—so as to reduce global unemployment to about 5%—will require substantial investment—about US\$ 44.3 trillion to create enough corporations-collaboration communities to house the 646 million new jobs to be created. However, as a consequence of this investment, global GDP would be increased from its present value of about US\$ 55.6 trillion to a projected value of US\$ 104.9 trillion (Table 33)—nearly double present GDP. Then, infrastructure and public services costs will need to be budgeted. Table 40 provides a very simplified projection of tax revenues emanating from GDP (these tax burdens would generally be divided between individuals and corporations, on a global basis), as well as a projection of infrastructure and public services costs.

**Table 40 - Tax & Infrastructure Budget**

<i>Tax and Infrastructure Budget Assumptions</i>				
Tax rate - Present-day GDP	10%			
Tax rate - Development-stage GDP	25%			
Infrastructure & Public Services Budget - % of Total Corporate Investment Cost	40%			
Annual Tax Revenue				Infrastructure & Public Services Budget
from Present-day GDP	from Development-stage GDP	Total Tax Revenues		
US\$ Billions				
Tier 1	2,723	3,693	6,416	854
Tier 2	2,077	5,455	7,532	5,375
Tier 3	763	3,170	3,932	11,502
<b>Globally</b>	<b>5,562</b>	<b>12,318</b>	<b>17,880</b>	<b>17,731</b>

The essential intention of implementing and investing in, globally, such an employment and production development project is three-fold: 1—to provide an economic level playing field where innovation, production, and consumption capacity is available on a global scale; 2—once the level playing field exists, states and peoples do not compete against each other, rather, the goods/services that are produced and consumed on this global level playing field are the competing entities; 3—once the level playing field exists, gray

markets and organized corruption networks will be limited in their power to exploit the disenfranchised; and 4—since all peoples are then dependent upon global market production and consumption, each member of the global society becomes interdependent upon the other to produce the goods/services in demand by the market, and then to consume the goods/services being produced. Livelihood, then, is no longer the clash; it is the bond, the *force majeure* of world interdependency.

### 3. Restoration: Labor-less Interdependence of Livelihood (Model 2)

*Labor-less Interdependence of Livelihood* is the second geoeconomic model. This second model is a radical departure from classical/neo-classical economic theory, and defines, perhaps for the first time, how the econometric principles might function if intelligent machines were to replace the majority of human labor. Addressed in this labor-less geoeconomic model: how are consumable products valued if labor is not a substantial component of the product? How do consumers generate disposable income if they are not laborers? And, how would the architecture and institutional/societal components of a labor-less economy be constructed?

#### *The Final Conundrum: The End of Labor*

In 1995, Jeremy Rifkin posited in *The End of Work: the Decline of the Global Labor Force and the Dawn of the Post-Market Era*:

Perhaps as little as 5 percent of the adult population will be needed to manage and operate the traditional industrial sphere by the year 2050. Near-workerless farms, factories, and offices will be the norm in every country.

Few of the CEOs I talk to believe that mass amounts of human labor will be needed to produce conventional goods and services fifty years from now. Virtually all believe that intelligent technology will be the workforce of the future.

Thus, if a near total majority of the population is essentially unemployed and not earning some form of labor-based salary, who, then, is going to afford to consume these goods and services produced by intelligent machines, and what form of currency will be used? First, however, to consider the earlier outlined Model 1 in context with Rifkin's prediction of near labor-less production: it does not seem rational to invest, at a minimum, US\$ 44.3 trillion for the creation of new wealth jobs and innovation-production oriented corporations on a global scale—if those new jobs are simply going to be replaced by intelligent machines over the next 40 years. Secondly, it does not seem rational to expect that wealth earned via labor by Rifkin's projected 5 percent of the working-age population employed in the global workforce can hope to sustain any substantial standard of living for the remaining population. Thirdly, it does not seem rational to expect state governments to impose some form of labor quotas for all corporations, large and small—thus limiting the amount of production performed by intelligent machines. Certainly, this would undermine the very precepts of market-based economics. Nonetheless, for reasons which will be explained just a bit later, Model 1 should indeed be implemented as a precursor for Model 2. What follows is an extremely radical view of socioeconomic theory.

A theory that *presupposes* that Rifkin's forecast of near labor-less production of goods and services is simply inevitable. A theory that proffers human labor can no longer be at the center of econometric calculations of value. A theory that, instead, positions civilizational interdependency at the center of value calculations—value calculations which balance global needs and wants with market accountability. This second of the two models is constructed using a dialectic approach of synthesizing the socioeconomic and moral principles discussed throughout this thesis with three entwining process and operation principles.

### *A Labor-less Model*

This model's three operating principles are: 1—establishing a wealth valuation process—based not on the token value of labor, but rather on the civilizational value of the entire innovation-to-consumption chain affecting all goods and services available to the consumer; 2—establishing a wealth ownership process—based on

individual stakeholdership of all innovation and sales revenues as well as societal responsibilities; and 3—establishing a capital movement process—based almost exclusively on corporate shareholdings and equity financing, thus removing the necessity for debt-based financing of any part of the innovation-to-consumption chain.

- Classical economics assumes the more a product is consumed, production economies of scale allow the product to be produced in a manner that consistently lowers the cost of production, whilst at the same time, consumers apply pressure to consistently lower the end-user purchase price—which stimulates even greater consumption. The obvious flaw in this classical valuation process is that no one along the innovation-to-consumption chain directly shoulders the responsibilities of balancing self-initiative with self-restraint, and merely relegated to the legal sphere. Resultantly, so as to provide a facility for individuals to directly balance self-initiative with self-restraint, the valuation of goods and services is reversed in this geoeconomic model: the more a product is consumed on a global scale, the greater its value. In other words, if Product X was consumed by 25% of the global population, its value (consumer purchase price) might be US\$ 1.00. However, if Product X was consumed by 75% of the global population, then its value (consumer purchase price) might be US\$ 1.25. Thus, value is determined not by labor value, instead, by a visible socioeconomic weighting process: 1—percentage of global market consumption (measuring civilizational needs and wants); 2—percentage of global market usefulness (measuring civilizational utility); and 3—percentage of global market accountability (measuring the balance of benefit and responsibility). Figure 32 illustrates this concept.
- Classical economics provides labor with only a token value of labor-based salaries—allowing the corporation to generate the greater majority of profit value gained as a consequence of labor. But if the economy is labor-less, the remaining alternative is to enable all global consumers to become stockholders in corporations of their choosing, and thus, all global consumers receive dividends on each product consumed.

- Consequently, all basic essentials of human existence (shelter, food, education, health care, etc.), would be financed via these dividend payments.
- As self-initiative and self-restraint are the new foundations to the entire innovation-to-consumption chain, the network of conduits can be exploited at a much greater efficiency to muster all necessary resources for growth, including investment capital. If resources within the network of conduits find a particular idea possessing the potential to add value to the market, and since stockholding provides the mechanism for return on investment, then investment capital rather than debt-financing more effectively mirrors the potential value of the idea. Thus, there most likely will be no economic requirement for debt financing of either consumer or industrial purposes.
- Individual citizens, globally, participate in the innovation cycle at any time, for any length of time. These innovators-consumers-shareholders, then, receive an additional appropriation of stockholdings.

Figure 31 (next page) illustrates how value is ‘classically’ calculated throughout the production-to-consumption cycle. Obviously missing from the value calculations are the intrinsic values of all individuals who contributed to the innovation process throughout the entire production-consumption chain. Figure 32, then, evolves the classical model to re-integrate all individuals back into the value chain.

Figure 32 (page 324) illustrates, within a labor-less economy: 1—how value is assigned to products; 2—how capital markets interact with shareholding corporations; and 3—how shareholding corporations interact with *citizen-sets* (citizens as shareholders and as consumers, and citizens who contribute directly to the innovation and production of products). It is important to note these citizen-sets are not static definitions. On any particular day, a citizen might participate in the value chain only as consumer-shareholder; but on the next day, this same citizen might participate in the value chain with an innovative idea or even direct labor; then on the next day, revert back to consumer-shareholder.

Figure 31 - Value as Defined by Classical Economics

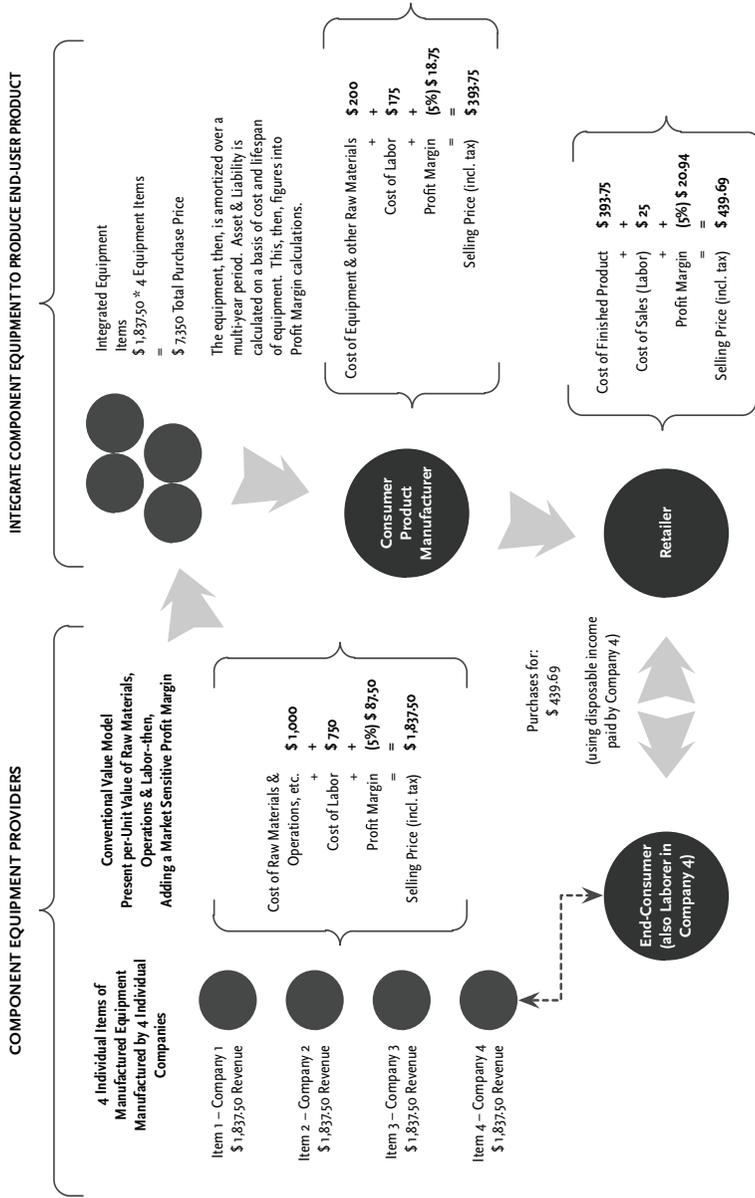
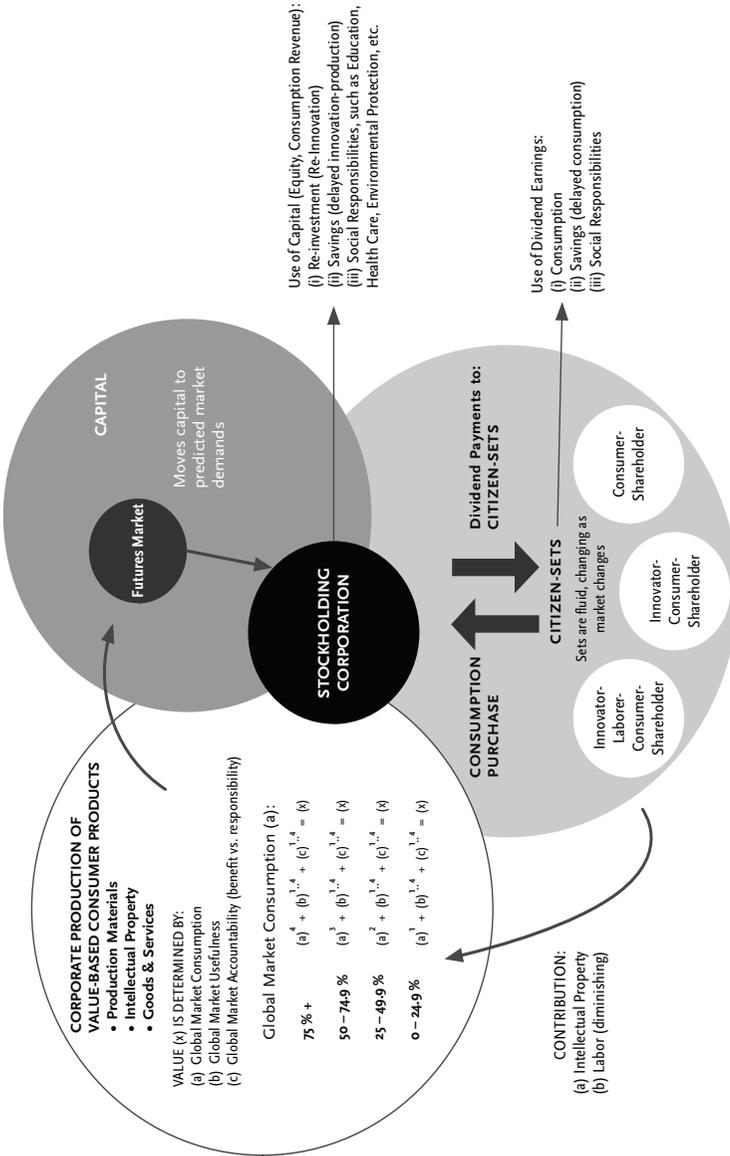


Figure 32 - Labor-less & Civilizational Value Process



Simply, all global citizens are shareholders in corporations of their choosing. These consumer-shareholders, then, receive dividend payments from each good/service consumed. The more which is consumed, the more wealth is generated for both the corporation (global shareholders), the individual (receiving dividends), and the public good (via the enlightened utilization of social responsibility valuations attached to each product). Further, at any time, for any length of time, any consumer-shareholder can provide the market with new innovation, and thus receive an additional appropriation of shareholdings. Capital, and future speculation of capital needs, then, impact and are impacted by the weighted process of consumer demand (needs and wants, utility, accountability). For Model 2 to function, the network of conduits and local-to-global strategy groups (Model 1) need to already exist on a global scale. Meaning, Model 2 cannot exist unless economic rationalism and tangible benefits can be experienced by all global citizens. Thus, not only does the pipeline need to exist, all that flows within the pipeline requires time, resources, and opportunity—and this requires a certain lead-in time afforded by the components of Model 1.

To view civilizational and labor-less value in more detail: Figure 33 (next page) and Figure 34 illustrate how, within a labor-less economy, value is synthesized. Figure 33 illustrates that as widely dispersed assets of value are synthesized, all but one asset converges into a direct nexus. The asset of *innovation focus* does not converge because the potential for innovation is always greater than initially perceived by individuals and society. The infinite possibilities of the mind cannot converge because they provide the spark to ignite all possible socioeconomic behavior.

.....

Figure 33 - Synthesizing Value (part 1)

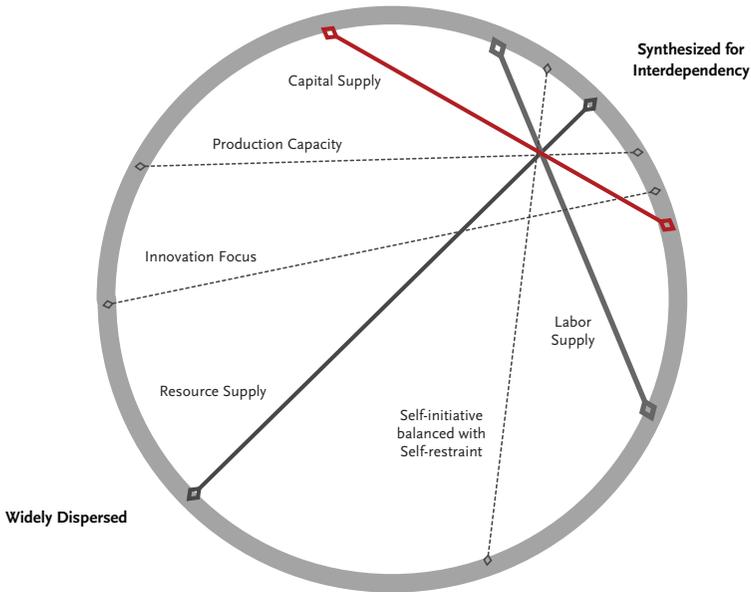
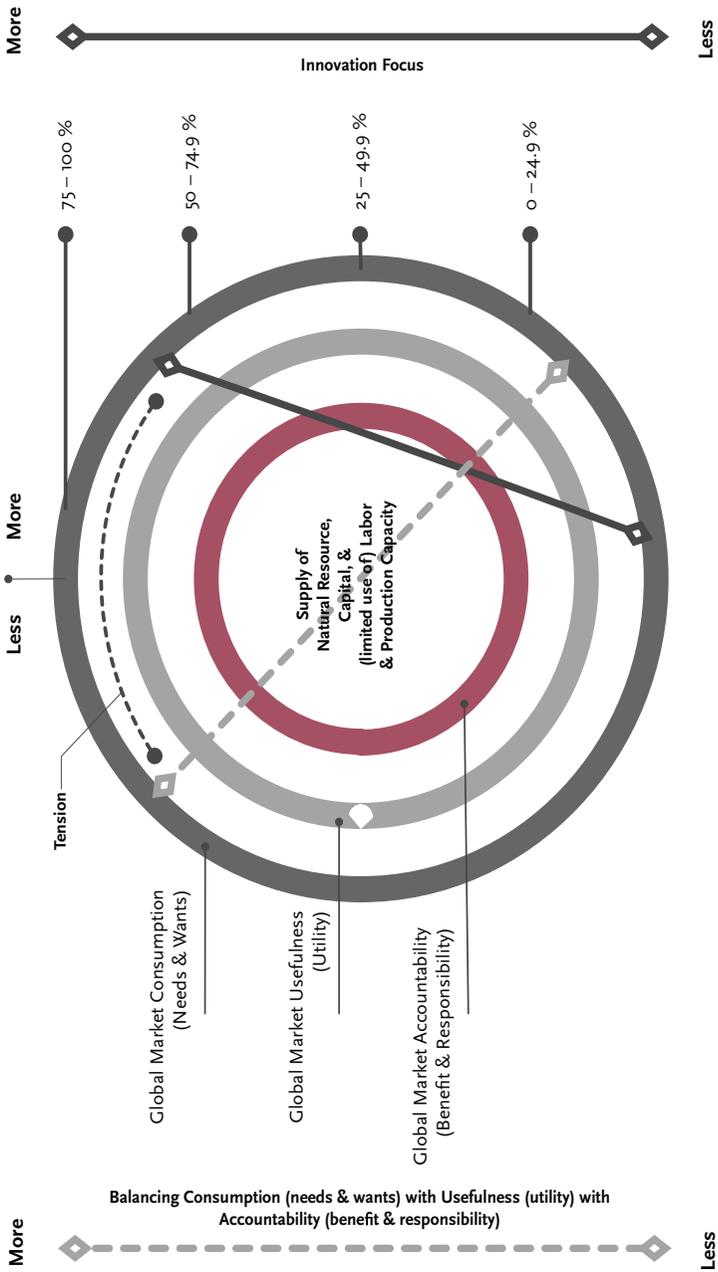


Figure 34 (next page) illustrates the geoeconomic process how multiple values are balanced to arrive at a global recognition of aggregate value of any product. By altering the concept of value in this way, two consequences are realized: 1—as all consumers initiate a purchase, all the components (from innovation value and production value, to environmental responsibility and social responsibility value) contained within the product are visibly reported to and considered by the consumer; and 2—individuals are no longer seen as labor, rather, they are seen in their authentic identities—and thus the authentic identity, itself, become the value.

.....

Figure 34 - Synthesizing Value (part 2)



It should be already visible to most people that a labor-less economy is at this very moment progressing and evolving—bringing forward the inevitable. The revolution is ascending. Thus, whether or not the geoeconomic models presented herein are ultimately deemed to possess any quality of significance, the fact remains *some* alternative to labor-based economies and geopolitical polarizations is a moral imperative of all civilizations. The intention of these models has been to present a theory that stimulates all individuals on a global scale to contribute to innovation and consumption of these needs and wants. A theory that possesses the potential, once and for all, to unbind us all from the knot of exploitation and polarization, and set us all free.

In some future construct of economics, our human art, the product and potential of our minds, rather than merely our physical selves, shall endure with value. And purposeless significance. Perhaps this new bonding to our minds and to the minds of others is the true restoration of who we are.



## VII. EPILOGUE: RAISONS D'ÊTRE

### 1. A Lifelong Enigma

*Hands & Brains Unbound* is not an attempt to promote a utopia. It is a pragmatic attempt to view specific consequences of geopolitical world order—namely, the failure of nation-building and the eroding economic security throughout a growing list of states—through a prism of figurative economics and its opposing yet equal prism of nonfigurative civilizational perspectives (the empirical and the logical). This thesis has challenged the very systems, institutions, and rationale of world order in the post Colonialism and Cold War eras. Two evolutionary, perhaps even revolutionary alternatives have been proffered. Even though this work, particularly in its later chapters, proffers what many might view as exceptionally radical models of socioeconomic theories and applications, these seemingly radical models are still based primarily on the balancing of empirical data with logic and reason; merely balancing the dialectic weights together; and allowing logic and reason to calculate consequences from empirical influences. As an economics professor might instruct, any dialectic exercise of such a scope requires nothing less than a substantially unbiased foundation of objectivity and curiosity, the essential components of science and study. This thesis intentionally balances these more reasoned disciplines, focusing both on the definable, the empirical, the material, the logical, the critical, and the ideal. Where politics is vulnerable to the passions of the subjective influences, the objective of this thesis has been to peer below the surface of this subjective layer, so as to objectively observe the balance of the empirical and logical aspects of the geopolitical world order system we presently inhabit and maintain. History often views the often cold and disciplined study and implementations of economics as particularly lacking the depth of humanity or idealism. Here, finally, I can communicate this more human and idealistic light that illuminates *Hands & Brains Unbound* and its writer.

*War is good for the economy.*

That was with what my parents scolded me all those years ago in 1971, at the height of the Vietnam Conflict. I had come home one fine Southern California afternoon from 7th grade school, and had blurted out some anti-war sentiment opined earlier that day by one of the teachers. Little did I realize, those years ago, that this then (and still today) widely-held view of the world order of things was to become nothing more than a terrifyingly convenient and pragmatic illusion shared by us all, a monster of myth kept alive by an intoxicating cocktail of fear and self-appointed righteousness—and, now, all these years later, the point of embarkation for the writing of this thesis. And yet, despite any protestations many have had throughout the generations, war has indeed been good for the economy. Now, as an adult, as an economist, I have to admit that. Residing deep beneath the paradoxes and intoxication of a geopolitical manifest destiny reliant upon polarization, militarism, and a Darwinist struggle for survival of the fittest, is an unsettled and perilous world of an ever-present ‘us’ versus ‘them’. Our long-held world order process of geopolitics—and its essential subscription to the notions of civilizational polarization and ‘war is good for the economy’ militarism—has become a living incubator for an entire race of monsters.

That seemingly insignificant moment between a teenager and his parents has been an ever-present shard of glass embedded into my consciousness, an enigma that, until now, I could not fully understand, let alone resolve. I am mortally mindful that one day soon, my two daughters will look me in the eyes and blurt out some anti-establishment sentiment as I once did, as many have done. As a parent of the 21st century, what is to be my response? For my two daughters, and the sons and daughters of the future, I have written this, *Hands & Brains Unbound*.

That shard of glass is now, finally, lost to memory. Free.

## **2. A Broken Mirror**

Bosnia-Herzegovina’s capital city of Sarajevo, my home for the past ten years, separates its roughly half million inhabitants into various neighborhoods or districts. The streets have for decades

been rattled by trolleybuses and trams and lined with bustling retail shops selling commodities from food to fashion, from office supplies to sports cars. Children play together in the streets, parks, games pitches and Internet cafés. Couples walk along peaceful, tree-lined riverbanks. Elsewhere, Bosnian mathematicians and engineers travel the globe to work on some of the world's largest and complex engineering projects (more than a few work at institutions such as NASA in the U.S. and CERN in Switzerland). Art and culture are older: the breath of a thousand years of history echoes through its architecture, its earth and people. In 1984, Sarajevo hosted the Winter Olympics and was heralded as a true European city. Dotted across the landscape, new houses, office buildings, even sports stadiums bear witness to the energy and scope of the reconstruction achieved by the civil and military branches of the International Community. Hotel conference rooms are often bustling with 'reform projects', presentations and workshops. Every day, flights arrive at Sarajevo International Airport, carrying payloads of diplomats and consultants ready to shake the next hand, ready to write the next report and ready to fly home again.

But this is life on the surface. Scratch the surface, and a new world unfolds. A world that is both terrible and illusory. A world caught in the middle of time and logic. During the war, Sarajevo's picturesque neighborhoods became battlefield lines, sniper alleys, filled with blood and anguish; pain and ruin not of Sarajevo, nor of humanity. Many survivors agree on one thing: it was a siege without reason—a war without sense. In 1997, two years after the armed conflict had ended, I attended a business meeting involving a mixture of Bosnians (Bosniak/Muslim, Croat and Serb). The day's meeting was congenial, almost jovial, and took place in the Sarajevo neighborhood of Ilidza—a wonderful part of Sarajevo dotted with hot springs and rambling parks linked by a winding, sparkling river. Ilidza had been one of the front lines during the war. As so often, the discussion turned toward the war. One Serb colleague ultimately commented that he was aware that the Serbian army occasionally sold grenades to the Muslim army, knowing that these same grenades would be fired back at the Serbian positions later that day. One of the Muslims responded: *"I guess the Muslims didn't want them after all and wanted to give them back."* Outrageously, we all laughed until there were tears in our eyes. Bosnians share a common heritage, and the

common bridges found throughout the landscapes of humanity—including humor, even black humor—are often a common language that for generations bound together their progenitors, and now continue to bind *them* together into a complex and entangled family.

In the here and now, Bosnia-Herzegovina exists in some ghoulish twilight zone—a strange time-warp. Living here presents people with the awareness that this country is not wholly alive and not quite dead. This geographic shell of a people is merely coupled to an appalling life-support machine. Bosnia-Herzegovina is a geographic expression, a quasi something—not yet a nation and far from a state. Civilizations are born, live and die. Each has their day in the light of time. What is the fate to be for the civilizations of Bosnia-Herzegovina and the wider Balkans? Have they had their day? Will the Bosnian civilization continue to fragment into disparate, ethnic enclaves, segregated from the modern and evolving economic, social and political systems of Europe and the wider global community? Or will Bosnia-Herzegovina and the International Community finally both accept they have more to gain conjoined in a rational and forward thinking global economy.

If the former is the case, then the entire south eastern region of Europe is threatened—perhaps trapped in an unstable and violence-prone quagmire. If the latter is the case, then unremitting work remains. The process of international development, as this work has argued, is infected with many wounding inefficiencies and conflicts of interest. The process requires substantial redesign here and elsewhere in other failing states—if examples, such as Bosnia-Herzegovina, are to be rehabilitated and assimilated into the global community of nations. I am reminded of the ultimate realities faced within the quagmire of Vietnam: neither Russian or Chinese communism, nor American democracy was ever going to change the hearts and minds of the Vietnamese—they would forever remain Vietnamese in their hearts and culture. No foreign military could ever change them.

In much the same way, Bosnians stubbornly hold on to their culture of society, politics, history, art, multiple religions, and even violence. No outside force could ever change them. Bosnians must first choose to either change themselves, or be evermore isolated from the world. As one walks down any Bosnian commercial street, every now and then, a store window appears papered over. On the

store's front door hangs a hand-painted sign: *adapcija* (readapt). The retailer has tried to earn a living by merchandising a particular product or brand—but ultimately discovers the market demand simply does not exist for such a product or brand. So, the retailer closes the store, tries to calculate a new product or brand to sell, then adapts the store premises for the new product. The cycle is repeated until merchandising the right product can result in a livelihood. Bosnians adapt quite well to the market forces. They are aggressive and committed to the short-term. The primary weakness of Bosnian entrepreneurs is that they are isolated from the modern nuances of global economics, and thus cannot even begin to imagine the long-term.

In another part of the twilight zone: a new school year has just started. A broken mirror reflects the image of a child, a cute, and rambunctious six year old as he walks to school. His little Pokémon® satchel filled with pencils and paper. Paper that in the morning, is blank, an adventure waiting to happen. Paper that in the afternoon, will be filled with the sketches of dreams. This six year old turns the corner and scampers up the steps to the school, so looking forward to the grand adventures of life that await him. But in the doorway of the school stands another six year old. The menacing one in the doorway thrusts his chin forward, and peers into the soul of the bright-eyed innocent. *“Are you Muslim?”* The innocent hesitates, *“What?”* *“Are you Muslim? I am Muslim. We must go to mosque together. Those fucking Serbs and Croats!”*

It might be easy to think that as horrible as this childhood scene playing out today in a European state might sound, the verbal and sociological plight of this particular six year old is perhaps relatively better than the physically offended child in some other God-forsaken place in the world—one who was just the victim of a machete slicing off his arm or of needless starvation. But life is not relative. It is all precious. And fragile. And demanding of us all a moral response.

When the wondrous adventures of any innocent child just beginning to dream are so jarringly thrown back into the stage-managed veracity of ethno-nationalistic divisions, or when the militias in Rwanda or Sudan hack the arms and legs from parentless children, seemingly for the sheer pleasure of it all—all the world's children are wounded. Our own futures are dying.

### 3. End of the Road

This text has progressed down disparate and complex paths from macroeconomics and history to social sciences and projections of the future. Through it all, *Hands & Brains Unbound* has had but one resolute intention: to make visible and comprehensible the economic fallacies in the geopolitical objectives of polarization and balancing of power between states, and to proffer a reasoned and rational alternative to a world order now in the grasp of decay. Bosnia-Herzegovina, and countries like her, are collapsing, some more quickly than others, some more violently—and their collapse only places into jeopardy stability and growth throughout all communities of the world.

The moral embrace and logic of democracy simply cannot be imposed or prematurely adopted. An enlightened view dictates that sustainable states require an *a priori* critical mass of economic vitality so as to minimize the virulent influences of organized corruption and militant extremism, which, in turn, then calls upon the voices and institutions of democracy so as to effectively manage these interdependent livelihoods. Particularly in light of rapidly approaching limitations in natural resources such as oil, gas, and even water, a global commitment to and technological capacity for innovation and global cooperation will be paramount if global economic stagnation and civilizational conflict are to be averted. And finally, in only a few years from now, intelligent machines may almost entirely replace our long-held dependence upon human labor. And if this labor-less transformation does indeed mature, then pioneering alternatives for the economic and social well-being of all civilizations are profoundly needed.

Salvation and sacrifice cannot be imposed, only undertaken. Only through the purgatory of a new global dialogue and debate can world order be made whole again. A world order based on the benefit of innovative self-determination and creativity—and its equal, the responsibility of personal and societal enlightenment. In this way, through the balanced tools of constructive criticism and debate, and the passion of vision, a profound challenge now awaits us all. Awaits in the empty sanctuary of the future, beckoning. Awaits all peoples of the world to accept the challenge, to reach outward and inward,

to wield imagination and curiosity once more in our hands, in our minds, and in our hearts. To move the world forward. To stand in the light of civilization, and its true image.

And then, finally, the knot shall be unbound. And all of us set free.



## About the Author

Michael Byrnes is a moral philosopher and economic theorist. He has served three U.S. Administrations in an advisory capacity in designing and implementing post-Cold War economic conversion strategies, as well as nation-wide technology transfer systems implementation. He has counseled Fortune 100 companies as well as small businesses in matters of crisis management, network theory and applications, and ethics. He has counseled multiple governments in matters of international banking systems integration, as well as cross-border corruption. For decades, Michael has traveled the world to observe and learn from the diverse challenges facing humanity and its socio-economic endeavors, particularly in regions that experience violent social, economic, and political upheaval and conflict. He has lived for extended periods throughout Europe, the Balkans, Eastern and Northern Africa, and Asia.

In 2015, with Tamara van Halm, he published the sequel to *Hands & Brains Unbound*. The new book, *Wealth Beyond Nations* removes the focus from the failures of International Development, and directly centers the focus on the universal and profound challenges presently being experienced throughout economic markets and societies everywhere. Presently, Michael and Tamara are writing a thesis which explores new developments and alternatives to Isaiah Berlin's ground-breaking 1958 lecture: *Two Concepts of Liberty*.

## Appendix

Table 41 - State per capita GDP - Ranked into Tiers

		State	Per capita GDP US\$
Tier 1 States Innovative-Diverse Markets	1	Luxembourg	58,900
	2	United States	40,100
	3	Guernsey	40,000
	4	Jersey	40,000
	5	Norway	40,000
	6	British Virgin Islands	38,500
	7	Bermuda	36,000
	8	San Marino	34,600
	9	Hong Kong	34,200
	10	Switzerland	33,800
	11	Cayman Islands	32,300
	12	Denmark	32,200
	13	Iceland	31,900
	14	Ireland	31,900
	15	Canada	31,500
	16	Austria	31,300
	17	Australia	30,700
	18	Belgium	30,600
	19	United Kingdom	29,600
	20	Netherlands	29,500
	21	Japan	29,400
	22	Finland	29,000
	23	France	28,700
	24	Germany	28,700
	25	Man, Isle of	28,500
	26	Sweden	28,400
	27	Aruba	28,000
	28	Gibraltar	27,900
	29	Singapore	27,800
	30	Italy	27,700
Tier 2 States Emergent Markets	1	Monaco	27,000
	2	European Union	26,900
	3	Andorra	26,800
	4	Taiwan	25,300
	5	United Arab Emirates	25,200
	6	Falkland Islands (Islas Malvinas)	25,000
	7	Liechtenstein	25,000
	8	Brunei	23,600
	9	Spain	23,300
	10	New Zealand	23,200
	11	Qatar	23,200
	12	Faroe Islands	22,000

	State	Per capita GDP US\$	
Tier 2 States Emergent Markets (cont.)	13	Greece	21,300
	14	Kuwait	21,300
	15	Guam	21,000
	16	Israel	20,800
	17	Cyprus	20,300
	18	Greenland	20,000
	19	Slovenia	19,600
	20	Macau	19,400
	21	Bahrain	19,200
	22	Korea, South	19,200
	23	Malta	18,200
	24	Portugal	17,900
	25	Bahamas, The	17,700
	26	Puerto Rico	17,700
	27	French Polynesia	17,500
	28	Virgin Islands	17,200
	29	Czech Republic	16,800
	30	Barbados	16,400
	31	New Caledonia	15,000
	32	Hungary	14,900
	33	Slovakia	14,500
	34	Uruguay	14,500
	35	Martinique	14,400
	36	Estonia	14,300
	37	Oman	13,100
	38	Mauritius	12,800
	39	Lithuania	12,500
	40	Northern Mariana Islands	12,500
	41	Argentina	12,400
	42	Poland	12,000
	43	Saudi Arabia	12,000
	44	Latvia	11,500
	45	Turks and Caicos Islands	11,500
	46	Netherlands Antilles	11,400
	47	Croatia	11,200
	48	South Africa	11,100
	49	Antigua and Barbuda	11,000
	50	Chile	10,700
	51	Trinidad and Tobago	10,500
	52	Russia	9,800
53	Malaysia	9,700	
54	Costa Rica	9,600	
55	Mexico	9,600	
56	Botswana	9,200	
57	Palau	9,000	
58	Saint Kitts and Nevis	8,800	
59	French Guiana	8,300	
60	Bulgaria	8,200	

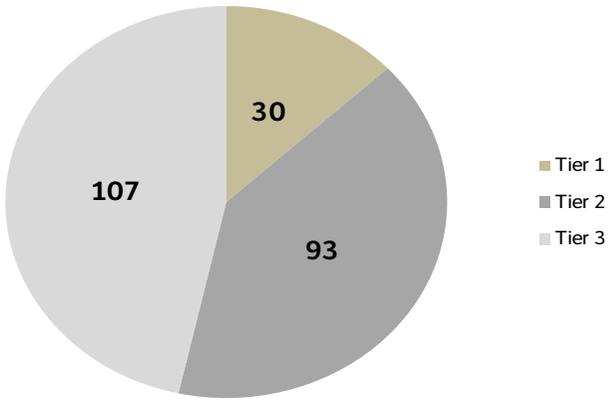
	State	Per capita GDP US\$	
<b>Tier 2 States</b> <b>Emergent Markets (cont.)</b>	61	Brazil	8,100
	62	Thailand	8,100
	63	American Samoa	8,000
	64	Guadeloupe	7,900
	65	Kazakhstan	7,800
	66	Seychelles	7,800
	67	Iran	7,700
	68	Romania	7,700
	69	Anguilla	7,500
	70	Turkey	7,400
	71	Namibia	7,300
	72	Macedonia	7,100
	73	Tunisia	7,100
	74	Saint Pierre and Miquelon	7,000
	75	Panama	6,900
	76	Belarus	6,800
	77	Libya	6,700
	78	Algeria	6,600
	79	Colombia	6,600
	80	Belize	6,500
	81	Dominican Republic	6,300
	82	Ukraine	6,300
	83	Reunion	6,000
	84	Fiji	5,900
85	Gabon	5,900	
86	Venezuela	5,800	
87	Turkmenistan	5,700	
88	China	5,600	
89	Peru	5,600	
90	Samoa	5,600	
91	Dominica	5,500	
92	Saint Lucia	5,400	
93	Swaziland	5,100	
<b>Tier 3 States</b> <b>Non-Negligible Markets</b>	1	Cook Islands	5,000
	2	Grenada	5,000
	3	Lebanon	5,000
	4	Nauru	5,000
	5	Philippines	5,000
	6	Albania	4,900
	7	El Salvador	4,900
	8	Paraguay	4,800
	9	Armenia	4,600
	10	Jordan	4,500
	11	Suriname	4,300
	12	Egypt	4,200
	13	Guatemala	4,200
	14	Morocco	4,200
	15	Jamaica	4,100

	State	Per capita GDP US\$	
Tier 3 States Non-Negligible Markets (cont.)	16	Sri Lanka	4,000
	17	Maldives	3,900
	18	Azerbaijan	3,800
	19	Guyana	3,800
	20	Wallis and Futuna	3,800
	21	Ecuador	3,700
	22	Niue	3,600
	23	Indonesia	3,500
	24	Montserrat	3,400
	25	Syria	3,400
	26	Lesotho	3,200
	27	Georgia	3,100
	28	India	3,100
	29	Cuba	3,000
	30	Saint Vincent & the Grenadines	2,900
	31	Vanuatu	2,900
	32	Honduras	2,800
	33	Equatorial Guinea	2,700
	34	Vietnam	2,700
	35	Bolivia	2,600
	36	Mayotte	2,600
	37	Saint Helena	2,500
	38	Serbia and Montenegro	2,400
	39	Ghana	2,300
	40	Nicaragua	2,300
	41	Tonga	2,300
	42	Pakistan	2,200
	43	Papua New Guinea	2,200
	44	Angola	2,100
	45	Guinea	2,100
	46	Iraq	2,100
	47	Bangladesh	2,000
	48	Cambodia	2,000
	49	Micronesia, Federated States of	2,000
	50	Cameroon	1,900
	51	Laos	1,900
	52	Moldova	1,900
	53	Mongolia	1,900
	54	Sudan	1,900
	55	Zimbabwe	1,900
	56	Gambia, The	1,800
	57	Mauritania	1,800
	58	Uzbekistan	1,800
	59	Burma	1,700
	60	Korea, North	1,700
	61	Kyrgyzstan	1,700
62	Senegal	1,700	
63	Solomon Islands	1,700	

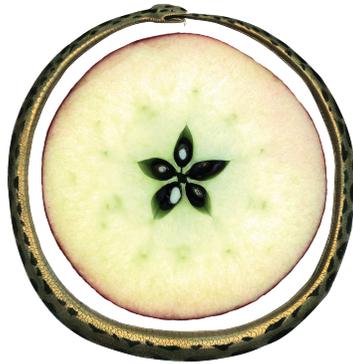
	State	Per capita GDP US\$	
Tier 3 States Non-Negligible Markets (cont.)	64	Chad	1,600
	65	Marshall Islands	1,600
	66	Togo	1,600
	67	Cote d'Ivoire	1,500
	68	Haiti	1,500
	69	Nepal	1,500
	70	Uganda	1,500
	71	Bhutan	1,400
	72	Cape Verde	1,400
	73	Djibouti	1,300
	74	Rwanda	1,300
	75	Benin	1,200
	76	Bosnia and Herzegovina	1,200
	77	Burkina Faso	1,200
	78	Mozambique	1,200
	79	Sao Tome and Principe	1,200
	80	Central African Republic	1,100
	81	Kenya	1,100
	82	Tajikistan	1,100
	83	Tuvalu	1,100
	84	Nigeria	1,000
	85	Tokelau	1,000
	86	Eritrea	900
	87	Liberia	900
	88	Mali	900
	89	Niger	900
	90	Zambia	900
	91	Afghanistan	800
	92	Congo, Republic of the	800
	93	Ethiopia	800
	94	Kiribati	800
	95	Madagascar	800
	96	West Bank	800
	97	Yemen	800
98	Comoros	700	
99	Congo, DR of the	700	
100	Guinea-Bissau	700	
101	Tanzania	700	
102	Burundi	600	
103	Gaza Strip	600	
104	Malawi	600	
105	Sierra Leone	600	
106	Somalia	600	
107	East Timor	400	

Source: Compiled from CIA Factbook 2005, World Bank & Thomson Financial

Table 42 - Distribution of States & per capita GDP Rankings



[www.outoftheboxinsight.com](http://www.outoftheboxinsight.com)



OUT OF THE BOX INSIGHT





# HANDS & BRAINS UNBOUND

## THE FAILURE OF NATION-BUILDING & THE ILLUSION OF WORLD ORDER

When instabilities occur in economic markets, four things happen. Social cohesion and order weakens. Politics becomes polarized, even autocratic. Corruption invades every part of the system. And, globally, mass migrations become epidemic.

State failures are increasing. Global risks are spreading. World order, in truth, is only an illusion.

HANDS & BRAINS UNBOUND views the philosophical foundations at the heart of the increasing contradictions between politics and economics—through a unique prism: nation-building. Based on a ground-breaking 9-year case study of the failed nation-building project imposed upon Bosnia-Herzegovina, this book reveals the behind-the-scenes machinations of international politics being played out around the world—at the expense of reasoned economic and social development.

This case study reveals that civilizations arise and decay as a direct consequence of their essential economic—not political—relevance to the larger world. If we have the courage to confront these new revelations, we may finally liberate ourselves from the bonds of illusion. And unleash a new age of civilization.