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# Why the West Can't Win: From Bretton Woods to a Multipolar World

by **Fady Lama**

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The declarative indication of the former US Minister of Foreign Affairs, John Kerry, regarding the *Trans-Pacific Partnerships* that, today, economic and security issues “overlap” (Seung-Ook Lee, Joel Wainwright, and Jim Glassman 2017), and that they are impossible to separate, should draw the attention of economists to geopolitics. Securitization of the economy (and economization of security) is a historical fact. Even though the combination of economic and security issues disrupts the functioning of economic laws from the textbooks and shifts the perspective of the world economy, it cannot be ignored.

We certainly cannot forget that certain (criticizing) economists have always expressed interest in the issues of geopolitics (Gary Dymski 2002). If we follow this line of thinking, we will reach the point that the *raison d'être* of geopolitics in economic frameworks belongs to the logic that puts conflicts in the foreground, rather than pre-stabilized harmony, and that Political Realism (an especially important direction in the study of international relations) attracts the attention of heterodox economists who relate mercantilism and the mentioned direction (Sergio Cesaratto 2013). Finally, the relationship between space/territory and power/coercion is an indispensable aspect of economic reflection that weighs up critical principles. Thus, taking geopolitical dimensions into account, we won't find ourselves in a completely new field in terms of economic reflexivity. Yet, besides geopolitics which has, in recent decades, often been discussed, there is geo-economics (Edward N. Luttwak 1990) too, with a tendency to become a regular subject of economic discourse and its immanent part.

Kerry's logic could be finalized when viewed as a combination of economic and political dimensions and when we discuss *geo-political economy*<sup>1</sup>. I should point out that this is not the author's term. However, geopolitics (the term used by many so far, and even abused) when separated from political-economic logic is certainly insufficient. When analyzed this way, political economy can be enriched, but also geopolitics or geo-

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<sup>1</sup> Developed by my paper in the process of publication, Draft on post-pandemic geoeconomization of world economy.

economics, which should then help understand why today's international politics is run through economic mechanisms. *Therefore, the economy is not just a tool, but rather a medium in which the very logic of order is manifested.*

Fadi Lama (international adviser for the European Bank of Reconstruction and Development, and consultant in the fields of geo-economics) wrote a book that I am currently interpreting in the light of geo-political economy. It is a sharp, polemical book that treats the recent power dynamics ("geopolitical struggle") of the world order and, by analyzing the existing tendencies, arrives at an epoch-making diagnosis regarding the prejudiced inferiority of the West and lagging in the geo-political-economic rivalry. The prophetic claim that "the West cannot win" the geopolitical race it initiated is not the only negative indication of the emerging position of the West. There is also data selection as the main idea of the book. Lama uses numerous data to support his thesis; he wants radical claims to have their empirical basis.

The book starts with historical indications that, until the period of colonialism, there was a parallel change in GDP and population dynamics, which was manifested in the fact that non-Western countries such as China had the same share of GDP and population in terms of world frameworks. However, colonialism in the 19<sup>th</sup> century separated the dynamics of population and wealth, and the constellation after World War II led to "neocolonialism" strengthening the geopolitical power of the West, but not through the Bretton Woods-system that disciplines any country trying to find alternative ways of modernization.

Lama pays particular attention to the historical dynamics of India and China and immediately provides the empirical basis for his observations. Namely, his leading argument is that the standard comparison between the West and the East fails because it operates with inadequate criteria, even at the international level. GDP is an inadequate quantitative horizon because it incorporates problematic aspects (prostitution, for example), while not integrating important elements (environmental). Therefore, relying on GDP will lead us on the wrong path for quantitative assessment of the performance of such countries that can create *fiat* money and at the same time are in such a privileged position that they are not exposed to the risk of "inflation or currency devaluation" (p. 9).

Of course, this refers to the USA but also projects the author's intention concerning the defining form of power (Money Power) that shapes the book's argumentation. There is a general claim that the success of national development is linked unequivocally to the processes of industrialization (the attitude towards neoliberalism is conditioned by its tendencies of deindustrialization). Furthermore, the success of national development is linked unequivocally to the processes of industrialization (the attitude towards neoliberalism is conditioned by its tendencies of deindustrialization). Lama, who obviously takes the form of national development as a frame of analysis, emphasizes that "real goods" depend on "production of energy" (this is especially evidenced by electricity generation).

Doing so, he constructs another supporting claim that combines the management of the energy regime with logistics and price dimension: "Control over energy reserves, routes and pricing is the central facet of geopolitical struggles" (p. 19). The presented data are aimed at proving that in recent decades, in these domains, there has been (it seems) an irreversible change and non-Western countries have slowly but surely

surpassed the effects of the Western world. This is confirmed by various analyses that thematize certain modes of energy. A representative example of this is nuclear energy, also treated here as a victim of “misrepresentation”. This is the basis of a special analysis of the catastrophic incident in Fukushima, which gives an excellent example of geopolitical economy as it has produced a series of political effects, as well as an unrecognized reorientation towards fossil fuels. It is an ironic constellation that the Green Party in Germany currently unreservedly supports the war operations in Ukraine and at the same time affirms the war and the intensive use of fossil fuels (p. 30).

In terms of oil pricing (“geostrategic tool”), the determination of the mentioned prices based on supply and demand is demystified. The discrepancy between the changes in income based on oil and the dynamics of exports proves it. The relationship between oil imports of different countries and US trade deficits (p. 34) stands out, as well as the ability of the US to cover the same deficit. When reading on, this suspicion against the supply logic is expanded (p. 158): “Commodity exchanges” direct the dynamics of prices (Intercontinental Exchange (ICE) and Chicago Mercantile Exchange for oil).

The meta dimension of the book is a quartet of powers (political, military, ideological, and money power) with Money power as the leading one. For Asia, on the one hand, it was important to limit the spreading of this form of power, while Europe, on the other hand, with its Roman law, systematically prioritized the demands of debtors and their acquired property rights, so the power of money and its strong dynamic was present even in the pre-modern times. According to Lama, the culmination of this is in the emergence of a central bank that became institutionalized, but typically through the medium of the holder of private property. He accepts the assessment that the emergence of parliamentary democracy opened the door to the stabilization of privatized finances, which enables the subordination of the ideological form of power. Therefore, instead of the sovereignty of the people, democracy has become a channel for the political economy of privatized monetary power. Lama ruthlessly and dystopianly describes democracy as a pendant to Money Power and as a social framework for violence and colonialization. Besides, this dimension of violence of democracy is also a framework for fueling inequality, whereby Lama usually finds it appropriate to criticize the Gini coefficient, a well-established method of calculating inequality: this coefficient could only be relevant if it was based on wealth and not income.

When jumping back to history, Lama simultaneously tackles the present, too. Historical argumentation does not develop linearly (argumentation is often developed by going backward in time); instead, he is seeking for them by moving across different periods that include the present. The decisive influence of Money Powers is plausibly expressed in the recent American political-economic epoch. Thus, the cyclical political dynamics, the replacement of Democrats and Republicans on the political scene (or, for example, the appearance of Donald Trump, and his nationalistic economic policy that collapsed due to the dominance of hedge funds) can be interpreted from that angle. Lama finally sees it as the crowning of the transition from militarized colonialism to financialized power that will be converted into a neoliberal economic model that diminishes the importance of industrialization and opens wide the door to the dominance of the “finance, insurance, and real estate sector” (metaphorically described as “uncontrolled

cancer”). He also deals with the loss of American competitiveness (as well as the compensation for the same phenomenon) in the same way.

Again, from a broad historical perspective, Money Powers are proven to have an interest in initiating and maintaining the rhythm of globalization, and the same forms of power are a priori against any market restriction. This is opposed by the claim that industrialization goes hand in hand with financial regulation and careful restriction of trade (p. 56). In neoliberalism, industry is leaving developed capitalist countries, and jobs in this sector are replaced by homogenized, low-skilled work at Walmart (p. 66). Lama recognized here a paradox that speaks of the divergence between the downward movement of median family income and the upward dynamics of national productivity. This is how the logic of neoliberal crisis management has emerged: on a personal level, there is economic degradation, while the “banking sector” is exalted. The author concludes that good economic results in capitalism came with the rise of industry, which necessarily produced greater consumption for individuals who are exposed to the waves of economic crises.

Money Powers were imposed in full after 1971 (“Bretton Woods II”, when the original Bretton Woods era ended: “Whereas the Fed prints money out of thin air, other nations have to produce to earn money” (p. 82)). The new epoch has brought high financial instability, and from this point of view, quantitative economic results based on public debt, budget deficit, and trade surplus have only a relative value. Considering the current situation, it is provocative enough that Lama insists on Russia having an economy with better performance for many years, but this does not imply its economic supremacy over the USA, but quite the opposite. This would mean that Bretton Woods II finalizes the original and genuine capacity of the Money Powers.

Lama continues to analyze different forms of financial crises (the 1997 crisis, for example), including the crises in Latin America. He delves into additional concrete political-economic configurations to prove his claims: the chapter “Geopolitics on Development” deals with the developmental modalities of Japan and Korea. As we know, both countries showed high economic performance, but there were explosions of crisis moments. Lama shows that the mentioned countries with strong financial regulations and significant industrial effects did not surrender to economic regression but due to the loss of geopolitical relevance in the perspective of Money Powers, which will be born in the ruthless deregulation of financial markets (more on this, p. 102). Here is how geopolitical logic breaks the individualized economic laws: the economic decline of the previously glorified economic giant, Japan, can be understood from the aspect of geopolitical dynamics rather than based on purified economic determinations.

The Asian Tigers were in a similar situation as Japan. Their economic rise, and export strategy (as well as rapid modernization/industrialization) were brutally cut short, but not because of the worsened economic moments. Lama suggests that the economic dynamics were conditioned by non-economic reasons, because the ASEAN countries represented an obstacle in terms of the “containment policy” of the time that targeted China and that assertive hedge funds did not have access to the financial markets of the respective countries, nor to the inside of the corporate structures. In other words, the forced deregulation in the financial sphere was essentially conditioned by geopolitical reasons. The mentioned countries succumbed, but it is wrong to believe that this was

due to the mistakes of economic politicians, or the implementation of the economic strategies of the respective countries. In addition, it should be kept in mind that the same countries continued to strengthen the elements of industrialization during the 1990s. Thus, the Asian Financial Crisis is the result of a complex non-economic dynamic, the dimensions of which Lama shows quite exhaustively, as he also describes the phenomenology of the crisis itself. The fact that geopolitics shaped development paths shows the limits of standard economic discourse.

Anyhow, Lama believes that the economic way broken with the paths of subtle industrialization and fine-tuning of financial regulation of the mentioned Asian countries has a normative value. He calls it “sustainable development”, which evokes the well-known phrase, but in a different form. To that end, he uses economic sovereignty, which he claims gains its full meaning only with political sovereignty (on economic sovereignty, see Jacques Sapir 2020), although he points out the extraordinary difficulties of realizing sovereignty in the economic sense of the word.

The critical machinery of Lama’s text constantly targets Western patterns/ideology, but to avoid any confusion: he explicitly extends the phenomenology of violence/repression into the framework of the non-Western world. Selected sequences from Japanese history with a special reference to the context of World War II prove this (although in this case, his arrow of criticism aims again at the Western acceptance of some Japanese war actors who sinned against humanity in general). This at least removes the doubt that the bloody repression dressed up in economic determinations is only Western regression; Lama could then be accused of an overly simplistic anti-Westernism (that shade is often present in Lama’s argument). When it comes to the personal determination and location of Money Powers, he finds it necessary to make it clear: it is not about the U.S. Empire, but about the Money Powers Empire, which emphasizes the non-national determinations of this form of Empire.

Meanwhile, he still implies *differentia specifica* of the Western pattern described in moral missionary work. That is how the strong continuity of the Western pattern, which hides its geopolitical determination, is constructed. The paradigm of “Crusader civilization”, i.e. the West whose roots can be found according to Lama in the XXI century, explains the modalities of American economic policy. The figure of continuity is indeed woven into the depth of Lama’s thinking; parts of economic history are integrated into modernity. For example, bankers appear as agents who are interested in the promotion of colonialism, even independently of state strategies, and in the long history of the West. Lama sees a long cycle of predominance of Money Powers that have usurped the position of political power. This creates room for maneuvering and the current American policy that heralds the Green New Deal, but in alliance with hedge funds, it undermines the American economy.

Accordingly, Lama recognizes only the instrumental value of the human rights regime. The same regime supports the fact that excess consumption of the West is not sustained by economic performance. The fact that Lama prophetically anticipates the defeat of the West is supported by his belief that the East has already economically overtaken the West. This manifests itself in the form of a dichotomization between those who care to change the Bretton Woods system so that its basic contours remain the same, and those who (Lama calls them “sovereignists”) feel subordinated within the

transformed framework of Bretton Woods. Lama thinks that the Money Powers, driven by the ambition of monetary-control power, go beyond the national sovereignty borders: the author of the book derives the essence of geopolitics from the interaction of national states.

Furthermore, Lama also mentions “economic wars”, “kinetic wars”, and “endless wars”, which resist the canonical economic logic because they are based on the synthesis of geopolitical power and fiat money in the framework of Bretton Woods II, which is thematized as a set of different international bodies (IMF, WTO, credit rate agencies, etc.). Moreover, the power to create “virtual reality” is added to all this, which confirms the interest of hedge funds in terms of a share in media management, which is also proven by the fact that a smaller number of such funds (4) manage a wide sphere of media. The forms of ownership of hedge funds plausibly show that without “virtual reality” power in today’s geopolitical constellation cannot be rounded off. This is how the misrepresentation of economic reality is constructed, starting with the deformed presentation of gold reserves to manipulated credit ratings. The power Lamahas in mind must also offer an epistemological perspective. However, it must be noted that Lama wants to discuss the dynamics and current state of all forms of the aforementioned powers (including military power). Accordingly, he also gives data that characterize “economic defense”, and “monetary defense”, that is, aspects of the power of non-Western countries, implying the effects of the autarkic Russian economy (export strategy, military technology, while incorporating modernity in the sense of the so-called Special Military Operation in Ukraine), China (manufacturing biased economy, financial capacities, participating in the widespread technological competition) or Iran (military defense).

In the last part of the book, Lama launches three different scenarios regarding the possibility of realizing the geopolitical intentions of the West.

The first option (“Plan A”) implies military intervention: the author links it to the historical situation of September 11 and the period after that. Again, pondering over the resulting situation supported by numerous data in the last decades, Lama concludes that this plan has deficits and that it is not successful in terms of the implementation of Western geopolitical ambitions. “Plan B” links Lama to the Arab Spring. The genesis of “Plan C” can be traced back to the second half of the 21<sup>st</sup> century when Plan A and B proved unfruitful, and when the control of energy resources could not be achieved with the mentioned plans: Russia’s military moves sabotaged the possibilities of Plan B for Western Asia. Lama attaches great importance to the crisis in Venezuela (2018) when Russia sent two strategic bombers. Plan C is an expression of the fact that Western global hegemony has become definitively impossible, thus requiring the West to create two “separate worlds” that economically and politically - must differentiate culturally. Deglobalization (again, not Lama’s term) which fragments the world, must at the same time be ideologically supported. Plan C implies an intense “economic war” and sanctions aimed at weakening the subject country.

Finally, Lama turns to the energy crisis that broke out in 2022 and the energy shortage in general. He is convinced that it was intentionally caused and that it mainly expresses the contradictions of interest regarding the implementation of the Net Zero agenda: more precisely, the gigantic conflict between Exxon Mobil and Money Powers is manifested here. In certain situations, hedge funds have an interest in “sabotaging”

investments. Similarly, he analyzes the food crisis: returning to the energy moment that runs like a red thread through the text, Lama also interprets the political-economic dynamics of COVID-19, presenting the thesis that the management of economic dimensions is more devastating than the management of the 2007/2008 crisis.

Thinking about the immediate future is based on the possibilities hidden in Plan C. In order to recapitulate the constellation “Money Empire” *versus* “Sovereign World”, Lama compares the reserve currencies, “virtual reality instruments”, the capacities of the military sphere, and aspects of energy control. He anticipates that the neoliberal path is irreversible for the West, and that it is highly likely that the Plan C will be shipwrecked at some point. If that happens, then the long cycle of global hegemony of Money Powers will end, and of course, then the defeat of a colossal project that aspired to global hegemony will be realized.

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Lama’s book is worth attention. It offers a wealth of arguments and information. I see it primarily as an expression of argumentation that brings geopolitical dimensions back into the economic discourse. The economist will certainly be challenged by the claims that dispute both explicitly and implicitly the well-known forms of causality, such as the one relating to supply and demand. The critical momentum of this book deserves to be read. As it opens up many intriguing and contested questions, it deserves to be the subject of critical reflection.

Is it enough, for example, to refer to Roman law and the actions of the Church regarding “Money power”, more precisely regarding the triumph of the same form of power over other forms of power (military power, for example)? Lama crucifies his network of categories to include an always long historical continuity (the genesis of Money Powers in a long historical period), risking to overemphasize the figure of continuity: isn’t the emergence of capitalism an expression of discontinuity in relation to the dynamization of different forms of power? Isn’t it necessary that in order to understand the status of money, and the relationship between money and power, we appreciate this mentioned discontinuity?

The problem of the otherwise extremely difficult relationship between structure and agency in capitalism is still unresolved. Lama mentions hedge funds and bankers (is that enough to show the triumph of Money Powers?), but agencies are missing in some characteristic situations.

Distinguishing the Money Empire and the U.S. Empire is an important gesture<sup>2</sup>, but are there agencies in the case of “Sovereign World”, say holders of different fractions of capital in Russia, or China? Let’s say in the situation of the Arab Spring, one gets at least the impression that the rebellions in the Middle East exist only from the perspective of control of energy resources. This is an indispensable dimension that must be recognized, but the epochal constellation regarding the Arab Spring is far more

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<sup>2</sup> Although I have to say that despite all the distinctions Lama still homogenizes the West at the risk of reifying the West.

complex: it implies, among other things, a rebellion against neoliberal aspirations in the respective part of the world (Kees van der Pijl 2012). It seems that giving up on thematizing the structural determinations of capitalism has its price - and that is why I think that the geopolitical logic of correcting narrow economism is not enough, so geopolitical-economy needs to be affirmed.

Lama does not focus on defining neoliberalism in detail, but it is clear that he sees it as a negative turn and as a kind of decadence. This way, he presents a crystal clear dichotomy between neoliberalism/financialization and the epoch in which industry is the ruling pattern. If we were to interpret this only in terms of the “West”, then we would have to reach the apotheosis of the Fordist period after World War II (in the language of economic theory: Lama is often close to those post-Keynesian theories that identify finance capitalism as the bearer of neoliberal tendencies), or the 19<sup>th</sup> century. It is undeniable that China has industrial power that cannot be ignored in geopolitical competition. Still, it is complicated to affirm the said periods as such a normative horizon. Instead of a longer explanation, I will just mention that the relationship between industrial and financial capital is not dichotomous; they exist, but only in different combinations (more on that J. W. Mason 2021).

We are reading Lama in a context in which the changing of the pillars of the world order, the transformation from unipolarity to multipolarity is often treated. As for the identification of “non-Western” and globalization advantages, he is not alone; other important interpreters have arrived at similar conclusions (for example Vassilis Fouskas 2021). This is the opposite conclusion compared to some earlier convictions regarding the indisputable American supremacy in the sense that it has so far only succeeded in uniting different forms of power in the world’s political-economic order (William C. Wohlforth 1999). More recently, some interpreters believe in American advantage which, among other things, has the potential to make various alliances and maintain stable relations with allies, while the adversaries (“Sovereign World” in Lama’s dictionary) are only opportunistically connected (Martin Wolf 2023). Criticizing the fetishization of GDP, Lama offered arguments that deny it; I think it should be accepted (such as the evidence that electricity generation with which Lama operates is indeed a good indicator regarding the relevance of the existence of the industry in a given country). It is up to us to think through these arguments, that is, to confront them with the tendencies in the present. There is no doubt that we are witnessing transitional situations, but the outcomes of existing processes are uncertain.



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