

The bottom dollar

There is only one way to check American power and that is to support the euro

The problem with American power is not that it's American. Most states with the resources and opportunities the US possesses would have done far worse. The problem is that one nation, effectively unchecked by any other, can, if it chooses, now determine how the rest of the world will live. Eventually, unless we stop it, it will use this power. So far, it has merely tested its new muscles.

The presidential elections next year might prevent an immediate entanglement with another nation, but there is little doubt about the scope of the US government's ambitions. Already, it has begun to execute a slow but comprehensive coup against the international order, destroying or undermining the institutions that might have sought to restrain it. Two weeks ago, James Woolsey, an influential hawk and formerly the director of the CIA, argued in *The Guardian* for a war lasting for decades "to extend democracy" to the entire Arab and Muslim world.

Men who think like him – and there are plenty in Washington – are not monsters. They are simply responding to the opportunities that power presents, just as British politicians once responded to the vulnerability of non-European states and the weakness of their colonial competitors. America's threat to the peace and stability of the rest of the world is likely to persist, whether George Bush wins the next election or not. The critical question is how we stop it.

Military means, of course, are useless. An economic boycott, of the kind suggested by many of the opponents of the war with Iraq, can never be more than symbolic: US trade

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has penetrated the economies of almost all other nations to such an extent that to boycott its goods and services would be to boycott our own. Until recently, as Bush's government sought international approval for its illegal war, there appeared to be some opportunities for restraint by diplomatic means. But now it has discovered that the United Nations is unnecessary: most of its electors will approve its acts of aggression with or without a prior diplomatic mandate. Only one means of containing the US remains. It is deadly and, if correctly deployed, insuperable. It rests within the hands of the people of the United Kingdom.

Were it not for a monumental economic distortion, the US economy would, by now, have all but collapsed. It is not quite a West African basket case, but the size of the deficits and debts incurred by its profligacy would, by any conventional measure, suggest that it was in serious trouble. It survives only because conventional measures do not apply: the rest of the world has granted it an unnatural lease of life.

Almost 70% of the world's currency reserves – the money that nations use to finance international trade and protect themselves against financial speculators – takes the form of US dollars. The dollar is used for this purpose because it is relatively stable, it is produced by a nation with a major share of world trade, and certain commodities, in particular oil, are denominated in it, which means that dollars are required to buy them.

The US does very well from this arrangement. In order to earn dollars, other nations must provide goods and services to the US. When commodities are valued in dollars, the US need do no more than print pieces of green paper to obtain them: it acquires them, in effect, for free. Once earned, other nations' dollar reserves must be invested back into the American economy. This inflow of money helps the US to finance its massive deficit.

The only serious threat to the dollar's international dominance at the moment is the euro. Next year, when the European Union acquires 10 new members, its gross domestic product will be roughly the same as that of the US, and its population 60% bigger. If the euro is adopted by all the members of the union, which suffers from none of the major underlying crises afflicting the US economy, it will begin to look like a more stable and more attractive investment than the dollar. Only one further development would then be required to unseat the dollar as the pre-eminent global currency: nations would need to start trading oil in euros.

Until last week, this was already beginning to happen. In November 2000, Saddam Hussein insisted that Iraq's oil be bought in euros. When the value of the euro rose, the country's revenues increased accordingly. As the analyst William Clark has suggested, the economic threat this represented might have been one of the reasons why the US

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government was so anxious to evict Saddam. But it may be unable to resist the greater danger.

Last year, Javad Yarjani, a senior official at Opec, the oil producers' cartel, put forward several compelling reasons why his members might one day start selling their produce in euros. Europe is the Middle East's biggest trading partner; it imports more oil and petrol products than the US; it has a bigger share of global trade; and its external accounts are better balanced. One key tipping point, he suggested, could be the adoption of the euro by Europe's two principal oil producers: Norway and the United Kingdom, whose Brent crude is one of the "markers" for international oil prices. "This might," Yarjani said, "create a momentum to shift the oil pricing system to euros."

If this happens, oil importing nations will no longer need dollar reserves to buy oil. The demand for the dollar will fall, and its value is likely to decline. As the dollar slips, central banks will start to move their reserves into safer currencies such as the euro and possibly the yen and the yuan, precipitating further slippage. The US economy, followed rapidly by US power, could then be expected to falter or collapse.

The global justice movement, of which I consider myself a member, has, by and large, opposed accession to the euro, arguing that it accelerates the concentration of economic and political power, reduces people's ability to influence monetary policy and threatens employment in the poorest nations and regions. Much of the movement will have drawn comfort from the new opinion polls suggesting that almost 70% of British voters now oppose the single currency, and from the hints dropped by the Treasury last week that British accession may be delayed until 2010.

But it seems to me that the costs of integration are merely a new representation of the paradox of sovereignty. Small states or unaffiliated tribes have, throughout history, found that the only way to prevent themselves from being overrun by foreign powers was to surrender their autonomy and unite to fight their common enemy. To defend our sovereignty – and that of the rest of the world – from the US, we must yield some of our sovereignty to Europe.

That we have a moral duty to contest the developing power of the US is surely evident. That we can contest it by no other means is equally obvious. Those of us who are concerned about American power must abandon our opposition to the euro. #