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September 11, 2001: Geopolitical, Social and Financial Consequences

by Peter C. Cavelti

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Ladies and Gentlemen:

I'm here today to give you my views of what the geopolitical, social and financial consequences of the tragic events of September 11 are. When Robert White saw an article I wrote and asked me to speak to your group, I was hesitant. The topic is a moving target like few others and, indeed, since I accepted a couple of months ago, things have shifted on many fronts. I've had to rethink some aspects of my speech.

The second thing that worried me was to talk about a conflict that, by its nature, affects and is driven by America. I'm a foreigner, and it's always dicey to talk to others about their country, especially when one has to touch on both its positive and negative aspects. There is a thing called "shooting the messenger"—so, if in trying to be objective I touch on things you'd rather not have heard, please be gentle with me.

As I said, this is a US topic. Even though it's of vital importance to the world, it's the US that was attacked and it's the US that manages the response, and so I'd like to start by saying a few things about America and its relationship with the world before getting into the actual issues that grow out of 9/11. If I had to characterize America's most admired strength I would say that it is its decisiveness. Decisiveness in today's time is a phenomenally important thing. We live in an age of short attention spans and rapid change and so, whoever can make decisions fast, has an advantage.

And the US not only acts fast, but articulates and implements decisions with such authority that it leaves the rest of the world breathless. This despite the fact that US decisions are often wrong. The Europeans are so set in their dithering ways, and Japan so frozen in its state of paralysis, that they accept whatever the US does almost with relief. (Which, of course, gives them the right to complain later on.)

The other day I heard a foreign policy analyst call the past 50 years of US history an exercise in sporadicity. That's exactly right—while there's been an overall direction in US policy in the post war decades (basically to protect America's economic interests at any cost) there has been only modest tactical skill displayed. Sporadicity is the word—the US is sporadic, because it is bold and decisive and acts immediately, sometimes without much thought.

There have been numerous embarrassments that arose from this—putting into power folks like Mobutu, Noriega, Marcos and Saddam is among them. Often, US decisions have thrown millions in third world countries into the clutches of dictatorship—sometimes for periods of decades. On the other hand, in the major conflicts of the past century, the US has invariably come down on the right side of morality. Also, the US is the first world power in history that has voluntarily given up conquered territory on too many occasions to remember. Sometimes, America invaded after being drawn into wars, sometimes far more randomly and with less provocation. But in the end, the US always handed back the reigns to a native administration—and no one has ever done that before. There are

reasons which argue that the American viewpoint is as moral as that of other nations, notwithstanding the less lustrous episodes in US history.

Now, to get back to the current conflict, one interesting aspect is how narrow the media coverage has been. Not since the early 1960s have the TV networks and the major papers in the United States been so uniformly behind the government. My own view is that their coverage of events has also been dangerously parochial and I'll explain why I think that. I realize, of course, that parochialism is by necessity a characteristic of the world's lead nation—Rome was parochial and the US is today's Rome. If, in the Roman Empire, you happened to live in Damascus and your language was Aramaic, you'd better make it your business to know a few things about Rome and learn Latin, or a career was not in store for you.

It's the same today. To flourish anywhere in the world, it's necessary to understand the needs, strengths and foibles of America, but Americans do not need to understand the world. It's simply not necessary for them, because they lead the world. That's why The US media are parochial and why broadcasters as diverse as Dan Rather and Jim Lehrer don't report on anything non-American unless it's of consequence to America—no matter how big its implications may be on the world at large. That's a key point—things can be very large for the world without being noticed here or affecting America for a long time. In the end, of course, they will have a very direct effect on this country, as did the September 11 attacks. The world, on such occasions, is considerably less surprised than America. That's the nature of the beast.

Now, I view my mission today to give you an analysis of the events preceding September 11, and the consequences of what happened that day, that's a bit broader than what you'd see or hear in most of the media. I hope that by doing so I'll be able to help you see your country and the current conflict from the outside in.

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Lord Salisbury once said this, at a time in the history of his empire much like the time in which America is now—at the height of its power. He said: “Whatever happens will be for the worse, and therefore it’s in our interest that as little should happen as possible.” America, before September 11, 2001, reminded me very much of that mindset. The country had won out in the Cold War, it had steamrolled through Iraq a decade ago and the 1990s were a decade in which America seemed to be light years ahead of everyone—its militarily and economic might unrivalled, the degree of freedom enjoyed by its citizens unparalleled. But something did happen on September 11, something that had been brewing for a long time. And the world will never be the same as it was before that fateful day.

President Bush and his cabinet reacted to the tragedy of 9/11 in typical American fashion--boldly and decisively. Some people have criticized that, but I find what’s been done entirely reasonable. The scope and the perfection with which the terrorist attacks were executed and the fact that they were directed primarily at civilians certainly provided the moral justification for a harsh reaction. I also think that America’s actions to date have been well executed, under the most difficult imaginable circumstances.

What’s more troubling is how the US administration has articulated what happened and how it should be responded to.

Among the rhetoric that bothers me was the President’s statement that America had been attacked because, as he said, “this country is the cradle of freedom and a beacon of opportunity”. There are many reasons why America is resented by the lunatic fringe of the Muslim world (and by the disenfranchised in most of the third world), but freedom and opportunity are not among them. Freedom and opportunity is what they want, not what they resent.

Also, Bush cabinet officials fell all over each other telling the world that the events of 9/11 were not an attack on America, but on the free world. The media bought this viewpoint wholesale and repeated it for weeks. That

concept is a highly debatable one. During the past few weeks, we've found out about plans for a number of terrorist attacks: in the US, in Britain, in France and elsewhere. But the targeted sites were always US assets, just as they were in the Kenya and Tanzania embassy bombings and the assault on the USS Cole in a harbor in Yemen.

The most important event was of course the one that verbalized the US response: George W. Bush's official declaration of war—of a war like we'd never had, a War On Terrorism. As an overall concept, that was the right thing, but the devil, as always, is in the details. The US declared a war on all terrorists, everywhere on earth, as well as on those who harbored them or helped by financing them, providing them with intelligence, etc. etc. It also detailed what's since become known as the Bush doctrine, which is essentially that anyone who is not perceived to be on the US side is automatically an enemy.

Anyone interested in the geopolitical implications and consequences of 9/11 has to ask three questions:

1. Are the objectives for the War On Terrorism justified?
2. Are the Bush cabinet's objectives honest in their intent?
3. Are they attainable?

Let's assume the answer to the first is yes—the goals are justified. Anyone with a sane mind wants to get rid of terrorism and everyone views those who abet terrorism as bad people.

The second question is more difficult. Is the US honest in its intent to target terrorism everywhere? It's easy to answer no—the US, and the other key Western nations are intellectually dishonest in announcing such a goal, for two reasons. The first is that many of the regimes we consider friendly have practiced terrorism all along, but we liked it. The second reason is that we—the industrialized West—have during decades past wrought considerable terrorism on others. We give it other names, of course. British, French and US intelligence have randomly killed,

overthrown regimes, and done things such as poisoning agricultural crops and making fields infertile, sometimes throwing armies of innocent civilians into abject misery.

Well, let's agree that the past is the past, and that looking ahead is what now matters. After all, President Bush is no more responsible for the errors of past times than we are in this room. So let's ask this question: when America wants others to give up terrorism when it suits us, is it willing to make a commitment to renounce its various forms of terror? And is it willing to compel those who are its friends to do so, as well? If America isn't willing to be principled about this, it'll come out of this exercise with substantially diminished prestige and credibility and with far less self-respect.

The third question I raised was whether the objectives set forth by the Bush Administration, and rapidly endorsed by both sides of Congress, are attainable. I don't think they are—terrorism, as a social reality (much like crime or corruption) cannot be eradicated. It's a manifestation of the human condition and to think otherwise is naïve. When I think about this issue, I always have a vision of the greatest military strategists in world history sitting opposite Mr. Bush in the Oval Office. What would Sun Tzu and Von Clausewitz have counseled him to do? I'd argue that they would have said that, "Mr. President, you never, never publicly articulate an objective that is not achievable".

So here, in summary, is the big picture—at least the way I see it. The objectives set by America at the onset of the War On Terrorism are justified, but they are neither intellectually honest nor attainable. And that's a problem that will haunt the US for years to come.

Several things can go wrong, of which the most obvious is the conflict between our different objectives. For instance, the fact that we don't treat every state that sponsors terrorism with the same harshness undermines our goal--the elimination of terrorism as a form of violence. There are already numerous examples where the US has not lived up to its own standard. For example, we've constrained Pakistan by making it our ally, and we've openly labeled as terrorists some old foes like Iraq, Iran and Somalia. But we are going very easily on Syria, which by

most definitions harbors the largest number of terrorist organizations. And we've been soft on the organizations operating from the territories administered by the Palestinians: Jihad, Hamas, Tenzim, Fatah and so on—only during the past few weeks have we been willing to put pressure on Chairman Arafat to make arrests.

But the worst and most destructive inconsistency in our approach is that regarding Saudi Arabia. Anyone looking at our problems with a degree of objectivity will soon realize that Saudi Arabia is the real hornet's nest in the Mid-East region.

Why? Because, at the end of the day, the problem with radical Islam is an educational one. The reason so many people in the Muslim world hate America is because that's what they've been taught. And who teaches them that? Indirectly, but very overtly, the government of Saudi Arabia. For many years now, the Saudis have financed *madrassa* schools—schools in which mostly uneducated clerics teach children a diet of bitterness and blind hatred...teach them a paradigm in which the Muslim world is glorious and noble and the West is a lair of wickedness and depravity.

In the most benign of these *madrassas*, children are merely indoctrinated with such lopsided nonsense and then let go; in the worst, the sons of those who died in places like Beirut or Gaza are made into a new generation of suicide bombers. The government of Saudi Arabia has single handedly financed thousands of such schools from Malaysia to the Philippines to Nigeria and Sudan. Hundreds of thousands of youths have been saddled with a lifetime supply of hatred for the US and Israel, which they view as America's pawn in the Middle East.

And, according to intelligence estimates, over 10,000 of the *madrassas'* brightest stars, those who are effective operatives for terrorist action, are now "sleepers" inside the West—awaiting orders in Philadelphia, San Francisco, Madrid, Hamburg or Toulouse. All thanks to Saudi Arabia.

Yet, administration after administration (Democrat or Republican), has worked under the assumption that we must tread carefully with the Saudi rulers. It's a mindset that's hard to break. No matter how intransigent Saudi Arabia is, we must accommodate them and be ultra-careful not to offend its sensitivities, the mantra goes. And no one is better than playing up their sensitivities than the Saudis are—while at the same time being completely intolerant of Western culture and conventions.

Let's look at facts. All but two of the people involved in the September 11 hijackings were Saudi nationals; countless other Saudis have been fingered by French, British and US intelligence as terrorists and several Islamic foundations working on Saudi soil have been linked with terrorist organizations. Terrorists have been arrested in forty nations; Saudi Arabia has yet to make any meaningful arrests or freeze the bank account of a single one of their terrorism-friendly charities.

One of the more notable surprises in the fledgling War On Terrorism has been Russia's response. Some days it appears that Russia is America's new best friend. Actually, that should not be a surprise and it's not a coincidence that I'm bringing up Russia right after my comments on Saudi Arabia. The two are intricately linked.

What Russia can effectively do, is provide America with a stable source of oil and natural gas in return for things we can give them. What they want most is trade and investment and, to that end, Vladimir Putin has worked overtime. While most of America's European allies openly expressed their reservations about newly elected President Bush, Putin went out of his way to develop a personal bond. The two reportedly became friends. On September 11, Putin was the first leader to call with his condolences. He also ordered Russia's armed forces not to go on alert, as was the prescribed response to a US military emergency. In October, at a NATO meeting, he readily abandoned Moscow's doctrine to oppose any eastward NATO expansion. Other friendly gestures by Putin include the shut-down of Russia's surveillance posts in Cuba, its remaining deep-water naval base in South East Asia and, most notably, the loan of tanks and war materiel to the Northern Alliance—the very army that fought the Russians to a standstill a decade ago!

Putin's credentials don't end there. He took over when the oligarchs ruled Yeltsin's Russia and everything was controlled by them. The Ruble was in free fall, inflation soared heavenwards and Russia's survival was tied to ever more cash injections from the West. Few people have followed Russia's progress since then, but Putin has reigned the mafia of the oligarchs back in, purged those who dared oppose his efforts to do so, and in the process boosted the currency, brought inflation to a standstill and converted the country's huge budget and current account deficits into surpluses. The result is that the Communists, who were on the verge of taking power again just two years ago, are waning fast and that the popular mood is riding high. Russians who stood in breadlines thirty months ago are now confident and content. The question remains whether we can trust Putin's intentions, but contrast that with the question whether we should trust the Saudis.

Saudi Arabia is a nation that had a per capita income of close to \$25,000 a couple of decades ago. It's since dropped by two thirds, yet Saudi Arabia's ruling family and the few who are favored are doing quite nicely. While Russia has provided effective help to America in helping the US invasion of Afghanistan (much the equivalent of America helping them move into Cuba or Mexico), Saudi Arabia has yet to make as much as a gesture to acknowledge the need to fight terrorism. Pakistan's General Musharraf, at the risk of being overthrown, has committed to shut down all *madrassa* schools that are situated in his country. Saudi Arabia hasn't even agreed to stop setting up new ones.

Leading up to this conflict and during it, the Saudis have again been poor friends. Apart from the fact that they supported the Taliban (and you really have to wonder about the mindset of anyone who could sponsor one of the most insane regimes the world has ever known), the Saudi rulers forbid the US to use its bases for flights over Afghani airspace and, most recently, bullied OPEC and non-OPEC energy producers to implement production cuts so that the oil price could go back up. Russia, in contrast, supplied tanks to its erstwhile enemies, flooded the market with cheap oil and was among the last nations to agree to production cuts.

Yes, there are reasons to tread carefully with Russia, but there are more compelling reasons to dissociate from Saudi Arabia. The Bush administration's approach to Russia has been first rate—its response to the petulant Saudis is absurd, although predictable. I think it was Gore Vidal who once said that unless drastic reforms are made, we must accept the fact that every four years the United States will be up for sale. We all know that true, and we all know that when those auctions for US power take place, the lobbyists and agents for the Saudis are always sitting in the front row bidding, whether the frontrunner is a Democrat or a Republican. It's going to be tough to change this, especially for an administration that's so close to Big Oil. But it's going to be far tougher to deal with the consequences of leaving it unchanged.

There's one final angle to all this that I need to explore before presenting you with my conclusions. That is the US decision to draw into the war as many coalition partners as possible. This is known overseas as the "Powell Approach"—an approach, incidentally, that's highly popular with the European governments and with Canada. Even though they have little enthusiasm for a broader war on terrorism, these nations quickly seized on the advantages to being an ally: by participating, they got on the inside of the movement without taking much responsibility. More importantly, it allowed them to substantially boost defense spending, which public opinion had forced down ever since the collapse of Communism.

The US media have done a singularly poor job in covering these realities of the coalition and its limitations. Television and the press portrayed the response to the 9/11 attacks as a chorus of international solidarity. The reality is a bit different. In Europe the prevailing popular view is that this is a US affair and it should have stayed one. In Canada, too, a large number of people are quite unenthusiastic about the whole thing, even though the government has directly supported the US effort.

I must confess that when I first saw the terror bestowed on the US, my immediate reaction was that this would lead to a new era of American isolationism. Colin Powell has achieved the opposite—the US is now in bed with all kinds of partners. The question, of course, is for how long it can keep these partners happy, because you can bet on

it: they'll all want something in return. There is a second problem. This war, by all projections, is going to take a long time. Sooner or later, the governments who've joined the war will face elections and, the way things stand now, being part of the coalition will not be a popular stance. The problem with any coalition is that it is as strong as its weakest members and, trust me, there are a lot of weak members in this club.

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Now, let me go to a completely different thing and tell you about my trip to Europe in October, which seemed more like a journey to a different planet. I left behind me the US media, which had for a over a month presented a mantra of self-adulation and nationalism, and arrived to European editorials and newscasts which were completely focused on the root causes of the conflict. While America kept asking “why us, why us” (with hardly anyone interested in an answer)—the overseas media talked about real things. They talked about the *madrassa* schools and the wholesale decline of Islamic culture, the result of which is a sense of complete alienation and isolation on the part of not just the radicals, but also moderate mainstream Muslims. And they talked about other root causes, as well: the West's economic imperialism which, in the interest of cheap and stable raw material supplies, often supports brutally repressive regimes. Or Western businessmen traveling the third world, aware of little but the need to advance their commercial or political agendas—typically without any awareness of the impact that may have on local culture or environment. Or our unwillingness to give up consuming huge amounts of energy -- far, far more even than our European or Japanese cousins—or to seriously look at alternative energy sources. Those kinds of root causes were discussed in Europe days after September 11; they're now debated here, too, but it took quite a bit longer.

Are European journalists brighter than ours? I doubt it—but they do have a different perspective. In this particular context, we have to appreciate that Europe has always understood Islam's hostility, mainly because Islam has for centuries been at Europe's doorstep. For many Americans, the intensity of extremist Muslim sentiment came as a complete surprise. They expected that radical Islam would remain confined to the television screen, in scenes aired

from Jerusalem or Gaza or Tel Aviv. But, as Benjamin Netanyahu recently said, to the Islamicists, Israel is only America's proxy, the "Little Satan"—the United States is "Big Satan". Relatively few Americans realized that, which is why the attack on US society and the elimination of the most potent symbols of US financial and military might so deeply wounded the nation's psyche.

Someone said to me after September 11 that we, the West, should draw a lesson from all this. If there is a lesson, I believe it's this: if we in the West want to keep our lifestyle and what we've come to accept as Western values, then we will have to be prepared to be attacked and be ready to fight back. Americans, in particular, will have to defend themselves, because, as I said earlier, America is today's Rome. Its economic system is the best the world has ever seen and it has brought this country untold benefits and comforts. But you must understand that your well-being is not only the result of a superior economic system--it's also the result of America's ability to play geopolitical hardball. I think few would disagree that there is no one who's better than the US in playing this game. But there is a problem with that: there are those in the world who are the losers, and when you're at the short end of the stick for a while you get tired of it. You get envious and resentful.

Others like France, Japan or Britain practice the same economic imperialism the US does—the Brits, in fact, taught America the basics. But America will always be the focal point, because it's the West's cultural leader. And our era's culture is one of entertainment. Unfortunately, people on the streets of Italy and Greece have several daily visitations from our purveyors of entertainment. They know CNN and Fox well, as do the people in the bazaars of Oman or in the streets of Cairo.

And that's another key problem. That means they're familiar with who Donald Trump is and they gaze at Britney Spear's navel in those horrible commercials on a daily basis. Not to speak of the crud that comes out of Hollywood or America's steady diet of soap operas. And when we think of it this way, it's easy to see why many Muslims believe their Mullahs when they tell them that Americans are depraved. The images exported to the world are the same as the Bible's Noah came to expect from the wicked sinners of Babylon: images of greed, moral corruption

and narcissism. Images of evil, too—when I see CNN commentators showcase infomercials of how much devastation this type of cluster bomb or that type of missile can cause (always with manifest pride that we should be able to inflict such horror on others) I wonder how that message plays...not just with people in the Middle East or in Muslim countries, but also those in Lima or Cape Town or Hanoi. To American television viewers it may be the norm; to outsiders it's disgusting. Yet those are the images the US exports, whether we like it or not. We in this room know they are not reflective of all Americans and perhaps not even the majority of this country--but the viewers in Islamabad or Mogadishu don't know that.

Now, having shone my beam into all these dark corners, let me try and tie it all together. As you can see, September 11 was like the day when a lot of stuff hidden for decades at the bottom of some murky pond finally rose to the surface. And more is yet to come up.

September 11 changes us forever, not just because we can't forget the images of horror, but because it's changed our perception of things. It's changed the way we view our every day, how human beings around the world view each other, and how, within the nations of the West, we view government and how government views us. There will be economic changes, too—some major ones and some which seem small but whose ripples have yet a long way to travel.

Geopolitical Consequences

- 1.** The first consequence is that the US ability to lead has once again been established. The American response was swift and the campaign to date has been conducted decisively, but in a measured way. It's also been accompanied with large-scale humanitarian relief. Americans are, in my opinion, lucky to be blessed with such a capable cabinet. In short, 9/11 has boosted US prestige.

2. A second consequence is that the Bush administration has learned a lot about its would-be allies and enemies. Such information is always useful. Within the industrialized world, for instance, we've learned that the British, German, Canadian and Australian governments can be counted on in moments of crisis, even if popular support for involvement is not enthusiastic. Spain has been very helpful, too. Other nations are less reliable: the French, the Italians, Belgium, Luxembourg, Portugal and Greece are among these.

When it comes to the powers of the Middle East and South and Central Asia, there have been revelations, too. That the Saudis are part of the problem and not part of the solution is hardly a revelation, but it's never been more obvious than now, and that's good. Meanwhile, Turkey, Yemen, Bahrain, Oman and the United Arab Emirates have surprised us positively. Pakistan has done most, but we can't really count that, because General Musharraf didn't have much of a choice and we may well not have seen the last chapter of our involvement with Pakistan. Our man on location may be overthrown, in which case the bad guys sit at the trigger of nuclear power.

Even if things go relatively well, America must be aware that dealing with new "allies" like Pakistan and Afghanistan will be very disheartening.

3. Also in the Middle Eastern theater, the events of 9/11 have radically altered America's Israel policy. The Bill Clinton/Madeleine Albright/ Sandy Berger foreign policy team isolated Israel to a dangerous extent, forgetting that Jerusalem is the outpost of our civilization in the Middle East and its only functioning democracy. This is not to say that some of Israel's policies aren't misguided, but what policies do Israel's neighbors Syria and the Palestinian Authority foster? The policies of terrorism, that's what. The US finally understands that.

4. September 11 will ensure a major shift in the alliances among the superpowers. The fact that Russia has outdone itself in its eagerness to help, coupled with our alarming need for alternative oil supplies, will bring Moscow and the US closer. It's interesting that Putin has been snuggling up to Washington and not the European Union. I think I know why. Russia respects and relates to strength and leadership. America is decisive and bold, while Europe's ability to make decisions is impaired by the complexity of its structure and tempered by a culture of wavering.

What about China? In my opinion, it will come out of this exercise even stronger than it is now. Terrorism will focus on America and perhaps Europe, but leave the Far East largely unscathed. China, as the leading power in that region, will benefit not only from that but also from Japan's ongoing decline.

5. The term "War On Terrorism" will become synonymous with "War on Islam". We may never call it that, but there are no terrorist groups to speak of that threaten our way of life other than the Muslim ones. Politically and socially, the effect of 9/11 is to leave the Islamic block ever more discontent. Moreover, we have to realize that all of the world's major power blocks are now firmly fixed on eradicating militant manifestations of Islam. Russia has always been hostile to Islam, which has been a disrupting force to its South for too long. America, much like at the beginning of World War II, has looked to the Muslim world with a distrustful eye, but thought it could get away with leaving it at that. September 11 changed that. And China, even though Islam affects it now only in a marginal sense, is bent on eradicating all religion that has an aim to disrupt the state. Beijing will be content to look the other way, as Islam clashes with others.

Europe has yet to make an adjustment. It fought Islam for centuries but has, in recent times, preferred to buy its Muslim neighbors off. Europe has done so through immigration and social assistance (to Algerians and Moroccans in France, Pakistanis in England and Turks in Germany) and by conducting a highly duplicitous foreign policy. Duplicitous how? Through Europe's Middle East policy, mostly. Anti-Israel rhetoric and friendly relations with

Syria, for instance, are not really meant to be that; they are merely attempts at appeasement. It'll be difficult to change that mindset and, for that reason, I believe Europe will be the most hesitant world power to tackle Islamic militancy.

Still, the bottom line is that the genie is out of the bottle—radical Muslims upped the ante on September 11 and the result is that the politicization of Islam will no longer be tolerable to most of the world's powers. It's probably what Osama Bin Laden wanted—greater pressure by the West will undermine the existing power structure in the Middle East.

6. The growing alienation and isolation of the Islamic world will also cost the West, and especially America, considerably. That's particularly so, if we don't treat all those who sponsor terrorism with equal severity. Unless the US is prepared to tackle Saudi Arabia, Syria, Iran, Iraq, Somalia, Sudan and the Palestinian Authority, or at the very least openly call these states "terrorist friendly", organizations like Al Qaida will simply move on and operate from other bases. Their organizations have been damaged, but by no means dismantled. "America the Oasis" may have to be relabeled "America the Vulnerable".

7. Ironically, our partners in this war will be the ones who pull in the wrong direction. That is why the Powell approach—to involve as many nations as possible—is intellectually faulty. France will oppose any move on Iraq, because it holds substantial royalties on Iraqi oil reserves. The French also carry on significant trade with other terrorist states. The Brits (and the French, once again) also have a soft spot for Syria. And then there's the problem of the European Union which, since its inception, has had a persistently strong anti-Israel policy. All of this will lead to new tensions, especially between the US and Europe.

Social Consequences

8. In social terms, too, a huge adjustment is underway. The past two decades have been the era of the corporation. Public servants were shunned, while people like Bill Gates, Jack Welch and a host of others achieved cult status and analogous compensation. The faltering economy and the devastating decline in stock prices started changing that, but the real catalyst was 9/11. The reality of a considerably more dangerous world has helped choose a logical successor class to the corporate one: that of government.

The high approval rate of recent government action illustrates that the US public is once again willing to embrace whatever big brother decides—all in the hope of a return to a regular life. This is regrettable, not because the corporate sector has done a superb job of serving society (just look at the disastrous performance of almost any deregulated industry), but because government has failed us with even greater consistency. As an aside, isn't it ironic that it was a colossal failure of government that permitted the September 11 tragedy while, at the same time, igniting a renaissance of trust in the state?

9. In the past three decades, we've enjoyed unprecedented personal liberties. How fast Western governments have acted to restrict these is astounding. Within slightly more than a month after the terrorists struck, the key industrialized nations had new laws designed to curb terrorism. It's important to realize that, sooner or later, circumstances will tempt government to use these same laws against others, as well. In Canada, for instance, the new terrorism laws permit the government to act against anyone who represents a threat to public order. Any thinking human being can readily identify all kinds of circumstances under which such powers can be abused.

While in Europe, I took a look at new terrorism laws there. In France, the police will now be able to enter anyone's house and search it, whenever it feels terrorism might be involved. No warrant is needed. Britain, meanwhile,

proudly points to its more than one million video surveillance cameras, which have so far been installed across the nation, and promises to set up more. It's easy to see what's happening: September 11 has ushered in a period of sharp curtailments on our individual freedoms.

Financial Consequences

10. The most important asset to an economy is the confidence of its consumers. We all saw how quickly consumer spending collapsed after the terrorists struck and how rapidly it rebounded when the crisis was perceived to have passed. But unless a miracle happens and all the Islamic radicals mend their ways, the level of confidence in our economy will continue to experience major tests.

11. Another key consequence of September 11 is that the era of government surpluses has ended. It was short and it was sweet and I doubt whether it will make another visit anytime soon. Current proposals are that we spend some \$20 billion a year on fighting terrorism—that's just on the home front. Apart from the fact that the World Health Organization estimates that \$20 billion is about the amount it would take to eradicate hunger everywhere on this planet, it's highly questionable whether homeland defense spending will do any good. Our way of life is free and the price we pay for that freedom carries is that we can be readily attacked in thousands of ways—with or without homeland security. Despite that, it's what public opinion wants and, like the War On Drugs and countless other questionable government initiatives, the cost will end up much higher. And that's just one of the smallest items on the country's list of new expenditures. Kick-starting the economy and reconstruction of targeted areas is gobbling up hundreds of billions now; the ongoing war will gobble up hundreds more.

12. Eventually, the poorer budgetary performance and the many spending initiatives will rekindle inflation. The low inflation environment that was ushered in by Fed Chairman Paul Volcker has now been with us for two decades. Global interest rates have been lowered aggressively, while money supplies have exploded—so far, with little visible economic improvement. I believe that the stimulus needed to simply keep things on a stable economic course could prove enormous. For a few months longer, inflation will stay tame, because the economy is still weak. Then watch out.

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Let me now briefly summarize. The events of September 11 have changed our world irreversibly. In geopolitical terms, we can look forward to a period of extreme instability, as the Islamic world gets even further isolated and the War On Terrorism targets concepts and institutions that have in the past been tolerated. There will be considerable tensions over how far this war should go and whether it should be allowed to interfere with the economic interests of the US and the countries which are currently our allies. A vital part of the problem is that America's economic and political links and those of America's allies are not identical. New alliances will result.

In social terms, a major conflict between the peoples of the West and those of the Muslim world is unfolding. We are only at the beginning stages. Within America and most Western countries, the era of the corporation may have reached its end and a new period of big government begun. This dynamic makes it crucial that we be mindful of our civil liberties. Many of our rights will be eroded or entirely compromised unless we are prepared to fight for them.

Financially too, the consequences of 9/11 are far-reaching. The prospect of more frequent terrorist attacks adds a layer of uncertainty to our financial market place—at a time when we least need it. Uncertainty makes it difficult for corporations and analysts to extrapolate future earnings growth—to give guidance, as Wall Street now calls it. And that, in turn, could well cause the currently rich multiples that many stocks carry, to come down. The bond

market, too, has a lot to deal with. After a decade of improving government finances, the surplus era may have ended. And after two decades of diminishing inflation pressures, inflation may soon start to rise again. Uncertainty is everywhere when it comes to the financial realities of our time, so that caution is warranted on this front.

I'd like to close on a note of hope. The American futurologist David Gelernter says that America's quintessential art form is its capacity to reinvent itself. Apart from it being a wonderfully optimistic quote, it's also why the world admires America so much. Let's hope that in this conflict, the War On Terrorism, too, the US will be able to reinvent itself and find a way that's just, right and honest—just to its enemies, just to its allies and right and honest for America itself.

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