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As Good as Gold

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VIRTUAL REALISM

To the Editor:

Richard Rosecrance's argument that the world is dividing between "head" and "body" nations, with the latter manufacturing goods and therefore still dependent on territory, is logically flawed ("The Rise of the Virtual State," July/August 1996). If such a division is in fact occurring, and if the "virtual nations need other states' production capabilities," won't world politics once again be reduced to a struggle over territory?

Ironically, at the same time that Rosecrance's modernization argument leads us back to the Hobbesian world of realpolitik, some realists have begun to express greater appreciation for the consequences of modernization. Many have come dangerously close to admitting that technology, especially nuclear weapons, can alter the behavior of nation-states, thereby transforming the fundamental dynamic of international politics.

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NEW MEXICO OR OLD?

To the Editor:

Jorge G. Castañeda's most recent visit to Mexico's wailing wall comes up with no attractive alternative to the economic stabilization and political reform policies now being attempted in the country ("Mexico's Circle of Misery," July/August 1996).

If the Latin American left, still wedded to an odd mix of state socialism and populist redistributive economics, could provide politically original proposals for a "new consensus" in Mexico,

Brazil, Argentina, or anywhere else in the region, its impassioned discreditors of the "Washington Consensus" and "neoliberalism" might win a free election and become the "reinvigorated leadership" Castañeda sees as key to the future.

One major reason for the left's current stagnation is its lack of intellectual creativity and credible political alternatives. Even Castañeda's suggestion that Mexico's deliverance lies in a "deep, broad alliance among business, labor, and the state along East Asian lines" is hardly original and sounds more authoritarian than he perhaps intends. In fact, it has the flavor of the old PRI warmed over. An authentic Mexican solution to Mexican problems has to do better than mimic Malaysia or Indonesia.

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AS GOOD AS GOLD

To the Editor:

As long as there is no stong lynchpin holding the states of Europe together, predicting the failure of European Monetary Union (EMU), as Rudi Dornbusch does, is as easy as falling off a log ("Euro Fantasies," September/October 1996).

More than a decade ago, when he was briefly chancellor of the exchequer and visited New York, I advised John Major that monetary union was impossible without gold acting as the referee in disputes among sovereign nations.

In September 1987, while secretary of the treasury, James Baker told an International Monetary Fund meeting in Washington that Europeans and Americans should all be moving toward

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a monetary union with “a basket of commodities including gold” as the reference point for settling disputes. The Wall Street crash a month later was precipitated precisely because Baker himself refused to take note of the signals the gold price was emitting as a warning.

EMU is in fact a wonderful idea, but it will remain beyond the grasp of Europe’s political leaders as long as the United States holds back from its responsibility to reestablish the greenback’s grounding by once again defining the American currency in terms of gold. It is always the responsibility of the primary superpower to do so. It was under the Pax Romana and the Pax Britannica, and must be under the Pax Americana.

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