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# UNDERGROUND EMPIRE

## HOW AMERICA WEAPONIZED THE WORLD ECONOMY

allen lane

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## *How America Weaponized the World Economy*

ALLEN LANE
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Penguin
Random House
UK

First published in the United States of America by Henry Holt and Company 2023
First published in Great Britain by Allen Lane 2023
001



Set in 11.50/17pt ACaslonPro
Printed and bound in Great Britain by Clays Ltd, Elcograf S.p.A.

The authorized representative in the EEA is Penguin Random House Ireland,
Morrison Chambers, 32 Nassau Street, Dublin D02 YH68

A CIP catalogue record for this book is available from the British Library

ISBN: 978–0–241–62451–7

www.greenpenguin.co.uk

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*To Nicole and Craig*

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# INTRODUCTION

## *All Roads Lead to Rome*

It's easy to descend into the underground empire. There are entrances everywhere. Some of them are even signposted. In the Washington, DC, area, where both of us live, the multilane artery of Route I-66 connects the Virginia suburbs to the capital city of the United States. Smaller roads diverge from it toward the Pentagon and the CIA's headquarters in Langley. Route I-66 passes through the Beltway, which loops around the city toward Fort Meade, where the spies and hackers of the National Security Agency (NSA) and U.S. Cyber Command go to work. The road terminates in Foggy Bottom, the home of the U.S. Department of State, a few blocks away from the U.S. Department of the Treasury and the White House.

These buildings are the surface manifestations of American empire. Some were designed for public display. The White House and Department of the Treasury have Palladian facades constructed according to principles descending from the Roman architect Vitruvius, who

began as an engineer in Julius Caesar's army. Others are built from reinforced steel and concrete for more utilitarian purposes, barricaded behind fences, cameras, and armed guards.

All are connected to the underworld. Every empire's architecture of rule and display would fall into ruin were it not joined to a filigree of tunnels and pipes, conveying resources and information like the mycelium that spreads out from a mushroom through the surrounding soil. The threads of empire operate in both directions, spreading influence and power outward as they gather resources to the center.

The rulers of the ancient world built their capitols from stones like porphyry and marble. Their living empires were made out of more everyday stuff; the trade routes, grain ships, and aqueducts that tied towns, cities, and countryside in a densely connected web of economic activity. Imperial Rome built a network of roads that allowed merchants to convey their wares as well as legions to march quickly across provinces. When a traveler entered the empire from the hinterlands, they departed a world of villages and winding cattle tracks for one of trading cities, joined by long, straight thoroughfares that carried both commerce and coercion.

Many centuries after the empire had fallen, a medieval proverb maintained that all roads lead to Rome. The infrastructure that Rome built still casts a shadow on the modern economy. History is lazy. Once something has been built, it is easier to build on top of it. Highways in France and Italy follow routes that were decreed by an imperial censor thousands of years ago.

In modern times, much of the real business of empire has moved underground. American imperium still uses military power to keep surface trade routes open, deploying the U.S. Navy to patrol global sea-lanes. But American power also travels along buried fiber-optic cables, insinuating itself into networks like the Internet and the complex financial infrastructures used by banks to send money around

the world. Beneath the open markets that facilitate global trade and manufacturing lies a less tangible network of intellectual property and technological expertise. Again, this provides American leaders with unparalleled levers of control.

These world-spanning systems were not created as part of a deliberate plot for political domination. They were mostly built by private companies, pursuing efficiency and profit. But that was also true of older empires, whose legionaries often followed in the footsteps of their merchants.

Modern empire has turned the subterranean machineries that enable global markets and information flows—fiber-optic cables, server farms, financial payment systems, and the manufacturing systems that produce complex products such as semiconductors—into tools of coercion. On a casual glance, these systems seem simultaneously dull and arcane—the complicated wiring and plumbing arrangements of the global economy. But the plumbing is political. Just as all roads once led to Rome, the world's fiber-optic networks, financial systems, and semiconductor supply chains converge on the United States, allowing it to project its might.

Indeed, if you want to understand how these systems work, it's helpful to imagine them as roads. Every morning, commuters leave the quiet residential streets they live on, turning onto busier ones, which in turn connect to arterial highways. So, too, people enter the underground empire every morning. They turn on their mobile phones, log on to their work computers, perhaps send some money to a family member. Without thinking about it, they are sending their information across buried wires that might connect to global information arteries such as the so-called Internet backbone of high-speed cables, a highway with millions of lanes, on which local and international traffic mix indiscriminately. On this virtual road, American cars with local license plates—"End Taxation without Representation," or "Virginia Is for Lovers"—might

weave between trucks with logos in Chinese script, Persian, French, and Russian, each heading to their own local destinations. People in other countries, too, are checking their email, buying products from Amazon or its local competitors, and paying their bills.

All these different people in their different countries use the same highway. It is as if Route I-66, instead of just connecting Washington, DC, to its surrounding hinterland, also wound invisibly through other cities such as Beijing, Ankara, Paris, and Vladivostok, connecting everywhere to everywhere. The big catch is that travelers from these various parts of the world might be diverted through the DC suburbs, even if they are taking a short local trip between different neighborhoods in Dublin or in Kirkuk. As Irish or Kurdish drivers take their obligatory detour, they pass the headquarters of the National Security Agency (NSA), which might photograph their vehicle, just in case someone in the U.S. government later wants to know who they are and where they were going. A driver with Iranian plates might unexpectedly be pulled over to the side of the road by Treasury agents with dark suits and neat haircuts. Traffic on the virtual highway can spill back over into the logistics of the physical world. As the federal government sieves online traffic for information, it might discover an email that leads to the sequestration of a container of advanced semiconductors departing Seoul for Shanghai.

A quarter century ago, Vice President Al Gore described the new world of global networks as an "Information Superhighway." As he half-admitted at the time, it was a corny metaphor. Gore used it because he wanted people to think of these networks as a necessary infrastructure that the United States should invest in. He didn't want intrusive regulation, but he believed there had to be rules of the road, to eliminate bottlenecks and open these networks to everyone. Technical experts never liked Gore's language. When they thought about global networks, they thought they were like the Internet, a network of net-

works that seemed like a wild free-for-all with no traffic cops, allowing people to go wherever they wanted.

Now, the Internet has been tamed. We're back in a world of information highways, which feed into bottlenecks that the United States has turned into choke points, allowing it to surveil and control everyday commerce and interaction across the globe. And the highways carry the traffic of the global economy, supporting financial services and production systems. Unsurprisingly, other governments don't like this. Some of them want to build new routes to circumvent the bottlenecks. Others hope to capture or create choke points of their own. Their clashing imperatives give rise to new conflicts, which catch multinational corporations and individuals in the cross fire.

In 1989, we saw the triumph of one world order over another, as the political and economic confrontation of the Cold War gave way to world-spanning networks. The Internet, global finance, and supply chains proliferated as business took advantage of new economic freedoms. Then, after the 9/11 attacks, when the U.S. government was at its most vulnerable, it stumbled onto the political power hidden amid the plumbing of this new global economy.

At first, it sought to use this discovery to target the "bad guys." Focused on the immediate threat of terrorists and rogue states, the agencies and bureaucracies involved didn't anticipate how the powers they were wielding would transform America's relationship with allies such as Europe, competitors like China, and the global business community. Nor did officials understand how tempting it would be to use network capabilities not just to subdue villains but to subjugate friends that had largely accepted interdependence as a source of market efficiencies. To protect America, Washington has slowly but surely turned thriving economic networks into tools of domination. The United States sleepwalked its way into a new struggle for empire, breaking bad without ever quite realizing it.

As you read this book, you will discover how this underground empire came into being. How did a world of open networks become a subterranean imperium, which allowed the United States to spread its influence across the borders of other countries, gathering information, interdicting goods, and cutting entire countries out of the global economy? More important, you'll find out what is happening now and what's likely to happen in the future. How are other powerful countries such as China, or jurisdictions like the European Union, protecting themselves or retaliating? What will happen if others try to build and extend their own subterranean realms? If you are a company trapped in the middle, what options do you have to protect yourself?

For the first time, people—U.S. administration officials, foreign leaders, and CEOs—are beginning to think through what has happened and what is next. We will tell you how the coming disputes between nascent empires can best be managed and how the tools of empire can be turned to different purposes, closing down tax havens, or helping build the structures to fight climate change. What we will not do, because we cannot, is map plausible escape routes from the underground empire. It's easy to descend into it but not so easy to get out.

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Why was a world of open global networks so well suited to American empire? Some think that the answer is simple: empire and global networks were different phases of a vast and complex plot, which has slowly unfolded over decades. Vladimir Putin, for example, has claimed that the Internet is a "CIA project," designed to empower America by undermining Russia and other autocratic states. He seems to believe the Cold War never finished: it just evolved from power games in the shadow of nuclear confrontation to semi-clandestine

information war, conducted via networks that were purposely built to be weaponized against America's adversaries.

Those who built this new world thought just the opposite, claiming that it had put an end to old-style geopolitical maneuvering between states. In a 1999 article, Thomas Friedman, an evangelist of the new age, declared that an old world divided by a Wall had given way to a new one bound together by a Web. Back then, the World Wide Web seemed new and exciting. It provided an easy synecdoche for the broader post–Cold War transformation of the world economy. Information networks such as the Internet conveyed torrents of information across borders, building new global markets as businesses found customers and suppliers in other countries. Financial networks expanded, allowing money to move rapidly across the world in search of fleeting opportunities for arbitrage or longer-term investments. Global trade was no longer the exchange of raw commodities and finished products. The global trading system was transformed into an intricate decentralized factory floor, where complex products could be designed in one country and assembled in another from components and subcomponents produced around the planet. The world was now flat.

In theory, information would flow freely in this new global order, resisting even the most determined autocrats. Bill Clinton told China that trying to control information was like nailing Jell-O to the wall; it would just wobble its way around the impediment and escape. Governments would no longer control financial flows. Instead, financial flows would control governments, as politicians cowered in the face of changes to sovereign credit ratings. Clinton's adviser James Carville famously joked that he wanted to be reincarnated as the bond market so that he could "intimidate everybody." Friedman claimed that no one would want to go to war in a world of globalized supply chains, since by attacking your neighbor, you would just be attacking your own economy. From his perspective, the new world was an emporium, not an

imperium, a thriving marketplace where the very notion of empire was irrelevant and antiquated.

The truth is more interesting and complicated than either Putin's world of conspiracies or Friedman's two-dimensional flatland. If the Cold War hadn't ended, the great era of global network building would never have begun. A world that was divided into mutually distrustful power blocs would never have allowed networks to entangle their economies together. Furthermore, it wasn't the United States government that built the networks. Following the collective wisdom of the day, officials believed that their job was to get out of the way of private enterprise, which was overwhelmingly U.S.-based or U.S.-focused.

As in previous historical moments, the network builders were businesses and business consortiums, pursuing profit and efficiency rather than conquest. Those who had political aspirations more often wanted to undermine empire than maintain it, hoping that they were building a networked world in which people and private organizations would be able to make their own connections, regardless of whether their governments wanted to.

Yet these networks—which were supposed to undermine the old world of power politics—never quite escaped the shadow of America's Cold War empire. Historically minded economists and social scientists often talk about path dependence, the way in which decisions taken long ago (where to locate cities; what to say in a constitution) constrain our actions today. The new networks of the global world economy were path dependent in a quite literal sense. Like medieval road builders, their architects often found it easier to lay down new routes on the foundations of old ones. As they built, others built on top of what they had constructed, and others still again, in a process of continual accretion. This meant that the paths that they built followed the older arteries of power, connecting to the heart of the old post–World War II empire, the physical territory of the United States of America.

The supposed world without empire seemed remarkably familiar. Without any need for a grand plan, the map reflected and reinforced the Cold War victory of the United States. The networks that connected the world together didn't just follow the contours of past economic and political power relations. They froze a moment in time, the brief period when the United States was at the apex of its power and at the center of everything, so that it lasted for decades.

Take the undersea and underground cables that tied the world's communications system together. According to an NSA estimate, by 2002 less than 1 percent of global Internet bandwidth passed between two regions of the world without passing through the United States. The global messaging system that allowed banks to talk with each other was based in Belgium—but its board was dominated by U.S. banks, and it was hostage to its data center in Northern Virginia. International banks carried out international transactions in U.S. dollars, exposing them to the "dollar clearing system," a set of complex financial arrangements controlled by U.S. regulators. And even as the production of complex semiconductors moved from the United States to Asia, American companies kept key aspects of semiconductor design and intellectual property at home.

The pipes and plumbing of globalization didn't just carry power to the center. They also made it more vulnerable to attacks, as the United States found out on September 11, 2001. Decentralized communications systems made it much easier for terrorists to communicate, while an open global financial system allowed them to send money and resources across borders without anyone knowing or taking responsibility for stopping them.

But so long as the United States had the will to change things, the means were close at hand. Key global networks were centered on the United States, allowing U.S. authorities in the NSA, the Department of the Treasury, and elsewhere to tech the broader network to their

own purposes. The global economy relied on a preconstructed system of tunnels and conduits that the United States could move into and adapt, nearly as easily as if they had been custom-designed by a military engineer for that purpose. By seizing control of key intersections, the U.S. government could secretly listen to what adversaries were saying to each other or freeze them out of the global financial system.

At the beginning, the U.S. government did this opportunistically and sporadically. U.S. officials saw themselves as responding to an immediate, urgent threat rather than self-consciously building the foundations of a new kind of power. When the United States deployed this power, it targeted terrorist organizations like Al-Qaeda and belligerent states with few friends, like North Korea. Some of what the United States did was controversial, but the disagreements mostly centered on the sweeping interpretations of presidential power behind the imposition of new surveillance techniques and collateral damage to the civil rights of U.S. citizens.

Yet governments, too, can follow paths without anticipating where they lead. As departments and agencies developed new tools, they kept on finding new uses for them. Whenever a new use was discovered, it created a possible precedent for others. When bureaucrats got a taste of power, they liked it.

America's control of global communication networks allowed it to tap into the communications of allies as well as adversaries. Before the Internet, surveillance was difficult and expensive, meaning that it was usually reserved for "high-value targets": terrorists, senior foreign officials, and other people whose communications were strategically valuable. After September 11, U.S. surveillance agencies had free rein and massive resources, which they used to turn global telecommunications networks into a distributed surveillance system. They literally built a system that allowed them to record every single phone call in an entire country and store the data for up to a month, so that they could

later "rewind" individual conversations that they suspected might be interesting. In this new world, the problem wasn't gathering information. It was storing the massive amounts of data that were collected and sifting them for valuable nuggets. When the U.S. government started taking full advantage of America's position in global networks, its surveillance state was transformed.

So, too, was America's system of financial coercion. Within a couple of weeks of the September 11 attack, the U.S. Department of the Treasury had started to aggressively investigate its options for gathering data from the world, so that it could detect future attacks. It quickly identified the SWIFT (Society for Worldwide Interbank Financial Telecommunication) messaging system—which plays a core role in global financial transfers—as a crucial source of information, and demanded access to SWIFT's information under pain of criminal subpoenas. Treasury also began to develop a new kind of sanction, which used its control of "dollar clearing" to force international banks to implement U.S. policy outside its borders. Control of SWIFT and dollar clearing were combined to cut Iran out of the world's financial system, forcing it to the negotiating table to discuss its nuclear weapons program. The U.S. officials who planned these steps often thought of them as once-off emergency measures. Instead, they became the precedent for a more general transformation of U.S. financial power.

Slowly, and without ever really thinking through what it was doing, the United States transformed the subterranean networks that tied the world's economy together into an underground empire, where it could listen in on the world's conversations and isolate its enemies from the world economy. Once-radical proposals became commonplace tools of policy. The United States was no longer just the world's remaining superpower. It was a state with superpowers. Like a spider at the heart of a global web, it could detect the subtle percussions of what enemies and friends were saying to each other from thousands

of miles away. And when it thought it necessary, it could tightly wrap an adversary's economy in smothering strands that were stronger than steel.

But with great power comes great responsibility. And by the end of Barack Obama's second term as president, officials had begun to worry about what they had wrought. The Snowden revelations, which detailed secret U.S. surveillance efforts put in place after the attacks of September 11, 2001, had not only left the American intelligence community backfooted but threatened the political arrangements underlying the Internet. When the revelations led the European Union to cancel its data transfer deal with the United States, Eric Schmidt, the chair of Google's parent company, warned that the Internet itself was at risk. Jack Lew, Obama's Treasury secretary, gave a much reported speech warning that if the United States overused its powers, "financial transactions may begin to move outside of the United States entirely—which could threaten the central role of the U.S. financial system globally."

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Once, the underground empire was cloaked by its dullness. The visible trappings of empire—lost legions, battles, assassinated heirs—make for enthralling stories, but few people outside Colson Whitehead novels get excited about the infrastructure beneath. The result was that few people had any comprehensive understanding of the struggles below. Occasional tremors shook the surface. Most important, Edward Snowden's willingness to leak intelligence files revealed the massive subterranean machineries that the NSA and its sister agencies had built to monitor the world. International banks complained about the massive costs that the United States was willing to impose on them, but to little avail. The United States began taking quiet action against Chinese companies such as the telecommunications giant Huawei, which it saw as an

extension of the state. But these seemed disconnected rather than parts of any whole.

The picture started to come together during the Trump administration, which believed that the United States, far from overusing its powers, wasn't nearly aggressive enough. Trump did not build the underground empire, but he made it more visible and far more controversial. This certainly wasn't because Trump himself connected the dots. When he discovered new tools of coercion, he was as delighted as a toddler with new toys, but he didn't have sufficient attention span to really understand how to make other countries bend beneath the yoke. While he wanted tribute, Trump was often willing to settle for attention. Regardless, the United States extended its underground empire in increasingly belligerent ways. And as its victims started paying attention, they began to piece together a different understanding of U.S. power. Trump's administration used the power of the U.S. financial system, for example, to target not just terrorists but human rights officials. Over time, it lurched haphazardly but irreversibly toward developing tools to target not just rogue states like North Korea but core assets of other great powers, like China.

And as the United States began to confront China, the imperial struggle became overt. The subterranean conflict moved aboveground as the old power and the new challenger battled for dominion. The United States targeted Huawei because it feared that it was building the roads that would allow China to create its own empire. Huawei—a company with a murky relationship with China's government—was building the world's next-generation Internet infrastructure.

As a cynical European official put it, America was angry with China for trying to do what America had already done, by turning the global communications system into an empire of surveillance. To stop this from happening, America turned to the tools that it had and developed new ones. U.S. newspapers covered its actions as a business

section story. In China, the U.S. campaign looked like a national crisis, making the dangers of the underground empire visible and visceral.

America's new belligerence frightened traditional allies as well. Their companies had long been subjected to "secondary sanctions"—economic tools that can force foreign businesses to comply with U.S. demands, even if they aren't located in the United States. When the United States started threatening its allies for sticking to a deal that the United States itself had negotiated, these allies began to see the U.S.-dominated financial system as a yoke that they had to pass under. They started thinking about building their own "strategic autonomy," fearing, in French president Macron's words, that the "day that cooperation becomes dependence, you have become somebody's vassal and you disappear."

It was easier for China and Europe to understand the threat than to know what to do about it. It was hard for China to build its own technology. When Russia invaded Ukraine, Europe discovered how much it needed America. Businesses and individuals, too, faced impossible dilemmas. As the United States began to confront China, they were stranded in the no-man's-land between warring empires, one trying to retain its grasp on global networks and the other struggling to displace it. Once, when multinational corporations thought about political risk, they feared kleptocratic dictators. Now they worried that America might press them into service or China might retaliate.

Skirmishes between these two powers and lesser ones may blow up, posing existential threats to the businesses caught in economic conflicts between states. As they respond to the threat, and states respond in turn, the global economy may be transformed from an open system into a frozen conflict between armed and hostile camps. We already know how much damage can be done when accidental catastrophes strike. In 2011, an earthquake led to months of disruption in the semiconductor industry, which relied on a few key suppliers in Japan, and

when the wave of coronavirus rolled over the globe in 2020, it revealed similar vulnerabilities. We may be on the verge of a greater catastrophe still, brought about not by chance but by battles that tear apart the silken webs that weave the world economy together.

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Averting breakdown will require the United States to work toward a different vision of security. It will have to acknowledge the responsibility that comes with power, allowing others to secure themselves from America's network imperialism. At the same time, it must lead the way in working out rules of the road, for a world where adversaries are inextricably tied together by global networks. In the Cold War, the United States was willing to talk to the USSR to figure out what each side was able to accept and to avoid destabilizing misadventures with nuclear weapons. Historical precedent shows it can do this, and *must* do this—it is American fingers that are closest to the power switches. Building resilience and mitigating vulnerabilities will lead to a better future than crude nationalism and reshoring. No one likes or trusts a bully, but people are willing to accept power if it's used benevolently.

International superpower that it is, the United States might even support a vision of commonwealth rather than empire, in which it and other actors secure collective benefits rather than contending over narrow interests. It is easy to see how the United States could use its sanctions against carbon producers or countries like Brazil that keep allowing rain forests to be cut down. The United States has already used its powers in the past to go after other issues, such as tax havens in Switzerland. Why not egregious polluters?

Such a commonwealth would have its problems. It would be most active where U.S. self-interest and global self-interest overlapped. It would have to strike deals, which means that certain problems would

be carved out and left unaddressed. For example, it's hard to see China signing on to proposals that use networked coercion to spread democracy. Finally, this regime would be most effective in pushing other countries to make necessary choices that they already know they have to make instead of raising new ones.

Nevertheless, this would represent a far better path than the one that the United States is going down. The United States was able to retain its empire so long because it was hidden in the shadows. Now that it has been exposed to the light, it will crumble, or worse. The old conflicts will become more bitter and intractable, and the new fights are just getting going. If this system ever made the United States safe, it won't for much longer. Instead, it is precipitating a spiral that may undermine the United States, and surely will if the United States continues to believe that it can enforce its demands with impunity. When you have built the economic equivalent of a nuclear arsenal, you shouldn't be surprised when others think about striking first or striking back.

# 1

## WALTER WRISTON'S WORLD

In his time, Walter Wriston was one of the most powerful people on the planet, the chairman of the financial giant Citibank and its parent corporation, Citicorp. He was also a man with a vision. His book, *The Twilight of Sovereignty*, is nearly forgotten today, but it predicted how the information revolution would transform global politics. The sovereign power of states, which had grown since the waning of the Middle Ages, was now in decline. New technologies and market freedoms were about to "decentralize power," rendering "once vital strategic 'choke points'" irrelevant, and "shifting the tectonic plates of national sovereignty." Global flows of information, money, and trade were not only flooding across national borders but washing them away, creating a true global marketplace in which agile individuals and businesses could evade government regulation.

When novel ideas succeed, they decay into stale clichés. Wriston's arguments became the common wisdom of the business bestsellers

stacked on tables in every airport bookstore. But he had begun speaking and writing about the irresistible challenge that global information technology and markets posed to government power in the 1970s, long before others were really paying attention. Back then, financial flows were largely restricted by national borders, and the Internet was an obscure government-funded experiment. Even when he published his book in 1992, it wasn't clear that technology would transform everything. The Berlin Wall had fallen only three years before, and the Cold War still hadn't yet relinquished its skeletal grasp on the world's politics and markets.

Wriston inherited his zeal for economic liberty and deep distrust of the state from his father. Henry Wriston, a university president and president of the prestigious Council on Foreign Relations, was personally invited by the famous economist Friedrich von Hayek to help found the Mont Pèlerin Society, a highly influential group of libertarian and conservative thinkers who tended the flame of free market thinking after World War II. Like his father, Walter was a globalist who was deeply influenced by Hayek's vision of a world in which market freedoms were the basis of individual liberty.

But Walter Wriston wasn't an academic or a think-tank president. As Roy Smith, who worked for Citibank's rival, Goldman Sachs, described it later, Wriston was "the most influential banker" of his time, the man who had turned Citibank into the "one bank that all others copy shamelessly." When Wriston said in 1992 that he had written his book "from the perspective of a participant in the evolving global financial marketplace," he was engaging in polite and perhaps ironic understatement. The histories of globalization pay close attention to the politicians and high officials who cleared the way for open markets, and the thinkers who argued for them, but they regularly ignore the business leaders who actually built them. Wriston was the Zelig of globalization. Look closely at the burgeoning of international

finance, of information networks, of the logistical innovations that transformed trade. You'll find him everywhere.

In his personal relations, Wriston was a little awkward and stiff, exemplifying the virtues and scruples of his Methodist upbringing. His business philosophy, in contrast, displayed a distinct piratical flair. He disdained borders and national rules in favor of the high seas of global markets, where Citibank and its rivals could outsail the grasping monarchs who ruled the land, creating their own freebooter's republic on the waves.

Already as a trainee officer at National City Bank (now Citibank), Wriston had risked causing apoplexy in his superiors by lending $42 million to Malcom [*sic*] McLean, a trucking entrepreneur with a new and controversial idea about how to transport goods cheaply by water as well as land. McLean used the money to launch the containerization revolution, which dramatically lowered the costs of transporting goods around the world. Wriston's financial innovations helped create the modern Eurodollar market—a vast offshore realm of financial transactions in U.S. dollars happening outside of U.S. borders. His efforts to build a private global payments system under Citibank's control in the early 1970s prompted other banks to build their own collective system, so as to avoid being drawn inside Citibank's gently smiling jaws.

Wriston's willingness to put his ideas into action changed the world. As he explained in 1979, the "current banking network, with its Euromarkets and its automated payments system" seemed dull and technical, but it had immense political consequences. He believed that if money could move rapidly from country to country, it could no longer be mastered by states. Instead it might master them, replacing the whimsical tyranny of political rulers with the austere rigor of market discipline. Equally, the free movement of information across global telecommunications networks would prevent governments from halting

the spread of ideas that they did not like. As Wriston explained later, telecommunications networks could transform high technology manufacturing, allowing multitudes of different producers in different countries to coordinate together on building a common product.

Wriston was right that these changes would have immense political consequences, but he misunderstood what these consequences would be. He once told a friend that "centralization . . . is a fascist state," and believed till his death that he and his peers were building a freer world with limited government. The irony was that he and other business leaders were centralizers by their nature: they sought to dominate markets, so that other businesses would have to use their systems and pay tribute to them. They built world-spanning networks that centered on a few key choke points. Eurodollar markets and global payment systems redirected the world's financial flows through U.S. banks and U.S.-dominated institutions. Global information flowed through networks centered on U.S. territory and subject to U.S. surveillance. And as global manufacturing came to rely on information and financial networks, it, too, became concentrated in ways that made it vulnerable to U.S. authority. The tragedy of globalization was that men and women like Wriston built a world that seemed to escape the control of government but in fact was wide open to government power and its own undoing.

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Wriston eventually came to believe that "international banking is a system designed by fate to exist in a certain state of economic tension, with all governments, including the most democratic." But at the beginning of his career, international banking barely existed. The banking industry that Wriston and others confronted in the 1960s was sluggish, timid, and lazy. Banks were trapped inside national borders