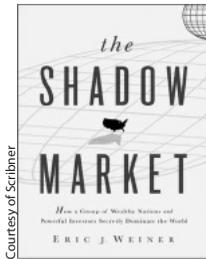


Cohen does not conclusively prove that we do, or that the Great Warpath produced it. But he provokes much thought and in the process, greatly entertains.



New York: Scribner,  
2010

304 pages

\$26.00

## ***The Shadow Market: How a Group of Wealthy Nations and Powerful Investors Secretly Dominate the World***

by Eric J. Weiner

**Reviewed by Michael J. Fratantuono**, Associate Professor, Department of International Studies, Department of Business & Management, Dickinson College

Since the mid-1990s, the global system has been characterized by rising interdependence and a reconfiguration of power among a wide range of state and nonstate actors. Many analysts have commented on these developments. In this highly-readable but somewhat foreboding account, financial journalist Eric J. Weiner contributes to that general line of discussion. He defines the shadow market as “a collection of unaffiliated, extremely wealthy nations and investors that effectively run the international economy through their prodigious holdings . . . of financial instruments, which they keep in unregulated investment vehicles such as hedge funds, private equity funds, and government-run sovereign wealth funds, as well as in vast government-owned companies.” His label suggests that shadow market transactions have been conducted absent the bright light of public scrutiny.

Mr. Weiner's central argument is that over the past 15 years, China and the oil exporting countries have amassed stockpiles of highly-liquid financial capital, which in the current era are an increasingly important element of geopolitical power. Furthermore, those countries are learning how to transform that element of power into an effective instrument of power as they pursue their foreign policy objectives. That development does not bode well for the United States, which has structural weaknesses in its financial and external balances and is to an ever-greater degree reliant on inflows of foreign capital. Nor does it bode well for Europe, which was confronted with economic challenges even before the onset of the still ongoing Greece-centered financial crisis.

Mr. Weiner begins his discussion in startling fashion. He describes a crisis-simulation exercise conducted in Washington DC in March 2009. Players representing the United States pursued a broad range of global security objectives. Meanwhile, players representing China remained conservative and focused in their play. They inflicted damage on a vulnerable United States by releasing a relatively small portion of their holdings into the financial markets, thereby sending asset prices into a tailspin and undermining the US economy. Did such actions reduce the value of the assets still in the hands of the Chinese?

Yes, but that cost was much less than the benefits associated with successfully achieving the country's geopolitical objectives.

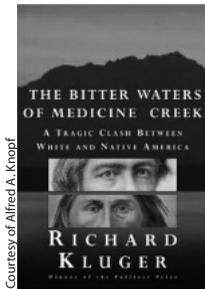
The middle chapters of Mr. Weiner's book are well-done. He relates in masterful fashion numerous detailed accounts of episodes that illustrate how economic power now permeates foreign relations. One anecdote among many suggests the tenor of things. On 20 August 2009, the Scottish government returned Mr. Abdel Basset Ali al-Megrahi to Libya. He had been serving a life sentence for masterminding the December 1988 bombing of Pan Am flight 103 over Lockerbie, Scotland. Scottish officials cited humanitarian concerns for their decision, as Megrahi had been diagnosed with fast-acting terminal cancer. Upon his return to Libya, Megrahi was given a hero's welcome, which was an embarrassment to the Scots. Even more damaging, subsequent news accounts suggested that Scotland's leadership was motivated by economic more than humanitarian concerns: the release was the price for a renewed contract between oil giant British Petroleum and oil-endowed Libya.

Mr. Weiner's book is not without some difficulties. The final chapters are not as strong as those that appear early on, as was the case for the one dealing with Norway's state-managed Petroleum Fund. The Fund, created in 1990, is asset rich due to Norway's territorial claims to globally important oil reserves beneath the North Sea. Mr. Weiner explains that the Fund has for two decades made investments based on principles of social responsibility, which is hardly ominous. However, he posits that in the future, Fund managers may abandon that ethical high-mindedness in pursuit of profit opportunities in the developing world. The reader may justifiably shrug: perhaps, perhaps not.

As another criticism, while Mr. Weiner does weave an array of descriptive statistics throughout his narrative, he would better serve the reader by offering a table or two of data that makes possible systematic comparisons of similar concepts. For example, he notes that the McKinsey Global Institute has estimated that in 2013, those in the shadow market will control \$19 trillion of assets, and contrasts that to projected US gross domestic product of \$16 trillion. The implications for his thesis are clear. Economists, however, would be quick to point out that while assets are a "stock," which represent the cumulative effect of savings made over time, gross domestic product is a "flow," measuring only one year of activity. To take this one step further, a visit to the McKinsey and Associates web site indicates that in 2008, the consultancy estimated that the value of US financial assets (deposits, government debt securities, private debt securities, and equity) was roughly \$50 trillion and the value of global financial assets was about \$178 trillion. Therefore, while the \$19 trillion cited by Mr. Weiner is by no means insignificant, a comparison to asset values rather than the US Gross Domestic Product would be helpful, even if it were to slightly dull the edge of his argument.

Despite these minor complaints, Mr. Weiner's well-researched book will be of value to students of political economy and international relations. He covers an enormous amount of ground, and does so in accessible, clear, and provocative terms. He offers a mosaic of accounts that collectively coalesce

into a coherent proposition that will unsettle readers and sensitize them to a set of developments that do warrant further reflection and closer consideration.



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330 pages

\$28.95

## ***The Bitter Waters of Medicine Creek***

by Richard Kluger

**Reviewed by Dr. Clayton K. S. Chun**, Chairman,  
Department of Distance Education, US Army War  
College

Most readers of American history think of the 19th century Indian Wars taking place on either the Great Plains or deserts of the Southwest. One area that is hardly discussed is the 1855-56 Puget Sound War in the then Washington Territory of the Pacific Northwest. Although small in scope, the cause, conduct, and outcome of the war make a fascinating study. In Richard Kluger's *The Bitter*

*Waters of Medicine Creek*, the events of the conflict between members of the Nisqually tribe and the new settlers of the Washington Territory are told in a fast-paced, extensive exploration of the growing hostility involving land rights that would eventually result in fighting between the Washington militia and the Nisqually tribe led by Chief Leschi.

The Nisquallies were one of several tribes located on Puget Sound. The first white settlers, under the British Hudson Bay Company, seemed to establish amicable relations with the tribes. With the American expansion into the Pacific Northwest, however, squabbles over land rights and further political ambitions by the territorial governor, Isaac Stevens, led to the Nisqually and other tribes being forced to accept relocation to undesirable areas that made life difficult for Leschi and his people. Stevens had personal ambitions to expand his influence in these new lands. Under the Medicine Creek Treaty, Leschi's tribe had to move to lands close to the current border of today's Fort Lewis. The Nisqually had subsisted on salmon fishing, but the area allocated to the tribe was neither suitable for farming nor did it have access to adequate fishing. Leschi protested this treatment and the terms of the treaty. He voiced a desire to renegotiate the treaty. Wanting to avoid a conflict, the acting territorial governor, Charles Mason, ordered Leschi and his brother taken into protective custody.

The "war" resulted from the attempt to capture Leschi. Leschi was not captured and led his tribe and others against the territorial militia and a reluctant US Army. Regular Army officers openly questioned the rationale for the conflict. Stevens had goaded Major General John Wool, Department of the Pacific, to send more forces to fight the Nisqually. Wool was skeptical about the claims made by Stevens concerning the threat by Leschi. Stevens, a West Point graduate, complained vehemently to the Secretary of War Jefferson Davis. Wool reluctantly deployed forces into Washington. During the campaign, a "massacre" of white settlers occurred and a number of skirmishes resulted throughout the region. In one battle, two militiamen died, one was Abram Benton Moses