



THE  
MAKING  
OF  
GLOBAL  
CAPITALISM

THE POLITICAL ECONOMY  
OF AMERICAN EMPIRE

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AND  
SAM GINDIN

"Lucid and indispensable guides to the history and  
practice of American Empire."

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2012



# Contents

<i>Preface</i>	vii
INTRODUCTION	I
PART I: <i>PRELUDE TO THE NEW AMERICAN EMPIRE</i>	
1. <i>The DNA of American Capitalism</i>	25
The Dynamic Economy	26
The Active State	31
Internationalizing the American State	35
2. <i>American State Capacities: From Great War to New Deal</i>	45
From Wilson to Hoover: Isolationism Not	46
The Great Depression and the New Deal State	53
From New Deal to Grand Truce with Capital	59
PART II: <i>THE PROJECT FOR A GLOBAL CAPITALISM</i>	
3. <i>Planning the New American Empire</i>	67
Internationalizing the New Deal	69
The Path to Bretton Woods	72
Laying the Domestic Foundations	80
4. <i>Launching Global Capitalism</i>	89
Evolving the Marshall Plan	91
The American Rescue of European Capitalism	96
“The Rest of the World”	102
PART III: <i>THE TRANSITION TO GLOBAL CAPITALISM</i>	
5. <i>The Contradictions of Success</i>	111
Internationalizing Production	112
Internationalizing Finance	117
Detaching from Bretton Woods	122

6. <i>Structural Power Through Crisis</i>	133
Class, Profits, and Crisis	135
Transition through Crisis	144
Facing the Crisis Together	152
PART IV: <i>THE REALIZATION OF GLOBAL CAPITALISM</i>	
7. <i>Renewing Imperial Capacity</i>	163
The Path to Discipline	164
The New Age of Finance	172
The Material Base of Empire	183
8. <i>Integrating Global Capitalism</i>	195
Integrating Europe	196
Japan's Contradictions of Success	203
The Rest of the World (Literally)	211
PART V: <i>THE RULE OF GLOBAL CAPITALISM</i>	
9. <i>Rules of Law: Governing Globalization</i>	223
The Laws of Free Trade	224
Global Investment, American Rules	230
Disciplinary Internationalism	234
10. <i>The New Imperial Challenge: Managing Crises</i>	247
Firefighter in Chief	248
The Asian Contagion	254
Failure Containment	261
PART VI: <i>THE GLOBAL CAPITALIST MILLENNIUM</i>	
11. <i>A World After Its Own Image</i>	275
Chief Financial Architect	277
The US and the Globalized Economy	283
The Integration of China	292
12. <i>American Crisis/Global Crisis</i>	301
Smoldering Bushfires	303
"The Worst Financial Crisis in Global History"	310
The Empire's Not So New Clothes	318
CONCLUSION	331
NOTES	341
<i>Index</i>	447

## *Introduction*

By the beginning of the twenty-first century, capitalism truly encompassed the world. The fashionable discourse of “globalization” vaguely spoke to this, yet cogent explanations of what had brought it about were in short supply. This was in good part due to the mistaken notion that, in going global, capitalist markets were escaping, by-passing or diminishing the state. This was seen to be true of all states, even the most powerful among them, including the American state.<sup>1</sup> In showing that the making of global capitalism cannot be understood in these terms, this book seeks to transcend the false dichotomy between states and markets, and to come to grips with the intricate relationship between states and capitalism.

In contrast with those who have emphasized the marginalization of states, our argument is that states need to be placed at the center of the search for an explanation of the making of global capitalism. The role of states in maintaining property rights, overseeing contracts, stabilizing currencies, reproducing class relations, and containing crises has always been central to the operation of capitalism. Far from multinational corporations (MNCs) finding it most convenient to have a world “populated by dwarf states or by no states at all,” they depend on *many* states to see to it that these things are done.<sup>2</sup>

The American state has played an exceptional role in the creation of a fully global capitalism and in coordinating its management, as well as restructuring other states to these ends. Although there has also been a certain renewed fashionability of the term “empire” to designate the United States, the imperial practices of the American state are usually presented as accompanied by economic decline and explained in terms of fending off challenges from rival states.<sup>3</sup> The reality, however, is that it was the immense strength of US capitalism which made globalization possible, and what continued to make the American state distinctive was its vital role in managing and superintending capitalism on a worldwide plane.<sup>4</sup>

The insights of an Adam Smith or a Karl Marx into capitalism’s DNA have often led people to imagine that globalization is no more than an inevitable outcome of capitalism’s structural tendencies to expansion. Yet

the spread of capitalism throughout the world was not the automatic result of the operation of any historical “law”; it was brought about by human agents and the institutions they created, albeit under conditions not of their choice. It has become quite commonplace to praise Marx in particular for recognizing that capital’s competitive drive led it to “nestle everywhere, settle everywhere, establish connections everywhere,” so that “in place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations.” Rarely quoted, however, has been Marx’s no less perceptive insight that, while national barriers are “constantly overcome,” so are new ones “constantly posited.”<sup>5</sup>

The globalizing tendencies of capitalism may have seemed close to being realized by the end of the nineteenth century when, as Karl Polanyi wrote, “only a madman would have doubted that the international economic system was the axis of the material existence of the human race.”<sup>6</sup> Yet the first half of the twentieth century—punctuated as it was by inter-imperial capitalist rivalry, world war, economic crisis and state protectionism—painfully suggested that, far from being inevitable, the very processes of capitalist globalization produced such morbid symptoms for humanity, and therefore such counter-tendencies, as to render the realization of a global capitalism quite unlikely. As Philip McMichael has argued, globalization is “immanent in capitalism, but with quite distinct material (social, political and environmental) relations across time and time-space . . . Globalization is not simply the unfolding of capitalist tendencies but a historically distinct project shaped, or complicated, by the contradictory relations of previous episodes of globalization.”<sup>7</sup>

That capitalism’s globalizing tendencies were revived after 1945 through the postwar “golden age” had a great deal to do with the way the capitalist states of Europe and Japan were restructured under the aegis of the American state. And although the economic turmoil of the 1970s demonstrated that capitalist crises were by no means a thing of the past, the degree of integration between the advanced capitalist states led them—in contrast to the 1930s—to promote the acceleration of capitalist globalization, rather than retreat from it. This soon included helping to turn the formerly Communist countries, as well as those of the third world, into “emerging market states.” What the first great economic crisis of the twenty-first century, which began with a crisis in American finance in 2007, will eventually bring remains to be seen; but particularly notable is the strength of the interstate commitment—now extended from the G7 to the G20—to avoid protectionism, and the cooperation with the American state in containing the crisis so as to keep capitalist globalization going.

*States in the Making of Global Capitalism*

How global capitalism came about, and the nature of the American empire that superintends it today, are the central themes of this book. But before outlining them, a few general points must be made about states and capitalism, and about empire and imperialism. In the work of most economists, capitalism is seen as virtually synonymous with markets. In this framework, globalization is essentially the geographic extension of competitive markets, a process dependent on the removal of state barriers to this, and the overcoming of distance through technology. Political scientists, for their part, have usually understood that markets are not natural but had to be made, and that states are fundamental actors in this process; however, they rarely probe deeply into the ways this process has been shaped by the intersections of capitalist social relations and the dynamics of capital accumulation.

The mutual constitution of states, classes, and markets has been the main focus, of course, of political economists working within a historical-materialist framework. But they have often been hampered by Marxism's inclinations to analyze the trajectory of capitalism as derivative of abstract economic laws.<sup>8</sup> The conceptual categories Marx developed to define the structural relationships and economic dynamics distinctive to capitalism can be enormously valuable, but only if they guide an understanding of the choices made, and the specific institutions created, by specific historical actors. Building on earlier attempts to develop a theory of the capitalist state along these lines, it is this approach that guides this study of the role of the American state in the making of global capitalism.<sup>9</sup>

One of capitalism's defining characteristics, compared with pre-capitalist societies, is the legal and organizational differentiation between state and economy. This is not to say there was ever anything like an actual separation between the political and economic spheres of capitalism. The distinction between *differentiation* and *separation* is so important because as capitalism developed states in fact became more involved in economic life than ever, especially in the establishment and administration of the juridical, regulatory, and infrastructural framework in which private property, competition, and contracts came to operate. Capitalist states were also increasingly major actors in trying to contain capitalist crises, including as lenders of last resort. Capitalism could not have developed and expanded unless states came to do these things. Conversely, states became increasingly dependent on the success of capital accumulation for tax revenue and popular legitimacy.

It is one thing to say that capitalism could not exist unless states did certain things, but what states do in practice, and how well they do them, is the outcome of complex relations between societal and state actors, the balance of class forces, and, not least, the range and character of each state's

capacities. Capitalist states have developed varying means of promoting and orchestrating capital accumulation, as well as anticipating future problems and containing them when they arise, and this has often been embodied in distinct institutions with specialized expertise. It is in these terms that we should understand the “relative autonomy” of capitalist states: not as being unconnected to capitalist classes, but rather as having autonomous capacities to act on behalf of the system as a whole. In this respect, capitalists are less likely to be able to see the forest for the trees than officials and politicians whose responsibilities are of a different order from that of turning a profit for a firm. But what these states can autonomously do, or do in response to societal pressures, is ultimately limited by their dependence on the success of capital accumulation. It is above all in this sense that their autonomy is only relative.

Capitalism’s development was inseparable from the deepening of economic ties within particular territorial spaces, and indeed from the process through which formerly pre-capitalist states constructed and expanded their borders and defined modern national identities.<sup>10</sup> The differentiation between state and economy, which was a key aspect of the distancing of political rule from the class structure in capitalism, eventually allowed for the organization of class interests and their representation vis-à-vis opposing classes and the state. As capitalists, farmers, and workers developed distinctive institutions, the arbitrary authority of states was constrained, but the capacities of states were at the same time generally enhanced. One aspect of this was the establishment of the rule of law as a liberal political framework for property, competition, and contracts. Another was the establishment of specialized agencies to facilitate accumulation through regulating markets. Yet another was the establishment of liberal democracy as the modal form of the capitalist state, although this was not realized in any stable fashion even in the advanced capitalist states until the second half of the twentieth century.

As part of the differentiation between economic and political spheres, particular capitalists extended their range of activity beyond the territorial boundaries of their respective states. Insofar as states often encouraged and supported capitalists in doing this, there was always a specifically national dimension to processes of capitalist internationalization. And as the interaction with foreign capital affected domestic social forces, this in turn contributed to generating that combination of inside and outside pressures through which states came to accept a certain responsibility for reproducing capitalism internationally. As we shall see below, it is mainly in this sense that we can properly speak of the “internationalization of the state.”<sup>11</sup>

It is therefore wrong to assume an irresolvable contradiction between the international space of accumulation and the national space of states. Rather, when looking at the role that states have always played on the international

economic stage, we need to ask how far their activities have been consistent with extending capitalist markets internationally—and also consistent with the actions of other states. Some states have played a much greater role than others in this respect, of course, and in the making of global capitalism none has been greater than that of the American state.

### *Capitalism and Informal Empire*

The age-old history of empires as involving the political rule over extended territories was fundamentally affected by the differentiation between state and economy under capitalism. Before the late eighteenth century all empires had combined economic control with military and political control. It fell to Britain, where the differentiation between economy and state was most advanced, to develop a conception of empire based as much on economic expansion and influence—the “imperialism of free trade”—as on the military and political control of overseas territories.<sup>12</sup> This prototype of an “informal empire” did not of course mark the end of territorial expansion, military conquest, and colonialism. Well into the twentieth century, international capitalist competition was still accompanied by formal imperial rule, and a tendency to dangerous inter-imperial rivalry. Nonetheless, by the late nineteenth century, even at the height of the scramble to extend old-fashioned formal empires, the development of capitalism had gone so far that, when capital expanded abroad, it was increasingly looked after by other states that were themselves spawning capitalist social orders.

The analysis of the international dimension of capitalism, and the insight that the export of capital was transforming the role of the state in both the capital-exporting and importing countries, was the most important contribution of theorists of imperialism writing at the beginning of the twentieth century. But the link these theorists made between the export of capital and the inter-imperial rivalry of those years was problematic, and would become even more so over the years from 1945 onwards. The problem was not only that the classical theories of imperialism saw states as merely acting at the behest of their respective capitalist classes, and thus did not give sufficient weight to the role of pre-capitalist ruling classes in the inter-imperial rivalries of their own time. It was also that they treated the export of capital itself as imperialist, and thus their theories did not really register the differentiation between the economic and political spheres in capitalism, or the significance of informal empire in this respect. This was itself a product of the failure, as Colin Leys once noted, to “disentangle the concept of imperialism from the concept of capitalism.”<sup>13</sup>

Although this was perhaps not surprising, given the conjuncture in which these theories were formulated in the run-up to and during World War I, their tendency to directly associate the new export of capital with the old



history of imperialism (as the extension of rule through armed conquest of territories), led them to mistakenly conclude that this fusion defined the historical terminus of a mature capitalism. Moreover, the notion of “finance capital” (extrapolated far too generally from the monopoly trusts formed between industrial and financial firms at the turn of the century in Germany) was a hindrance to understanding the much looser relationship between production and finance that increasingly became the norm, along American lines, through the course of the century. But most problematic of all was the attempt to explain the export of capital in terms of the saturation of domestic markets in the major capitalist countries. This failed to recognize the long-run implications of the growth of working-class organizations for the dynamics of capitalism. In the “golden age” after 1945, domestic markets were anything but saturated; profits were realized through expanding working-class consumption, yet capital exports continued, driven by quite different factors, as the export of capital itself was transformed over the twentieth century in the context of the international integration of production through multinational corporations and the extensive development of international financial markets.<sup>14</sup>

On the basis of the changes capitalism had undergone by mid-century, the American state was not only uniquely placed but uniquely capable, for reasons related to its institutional capacities as well as class structure, to relaunch capitalist globalization after its interruption by world war and economic depression.<sup>15</sup> This was a crucial moment in the historical differentiation between the economic and political in the making of global capitalism. In the passage from Britain’s only partially informal empire to the predominantly informal American empire, something much more distinctive had emerged than Pax America replacing Pax Britannica. The American state, in the very process of supporting the export of capital and the expansion of multinational corporations, increasingly took responsibility for creating the political and juridical conditions for the general extension and reproduction of capitalism internationally.

This was not just a matter of promoting the international expansion of US MNCs. That state actors explained their imperial role in terms of considerations of universal rule of law was not mere dissembling, even if they always also cast an eye to whether this would benefit US capitalism. As with the informal regional empire that the US established in its own hemisphere at the beginning of the twentieth century, a proper understanding of the informal global empire it established at mid-century requires a scale of analysis that can identify not only the domestic but also the international role of the American state in setting the conditions for capital accumulation. It also requires a very different understanding of the roots of US empire than those advanced by critical historians who linked the American state’s “Open Door” policy too directly to its own capitalists’ needs for exports

due to over-accumulation at home (or even to businessmen's belief in that need).<sup>16</sup> As Chapter 1 shows, economic crisis and class struggle at the time of the so-called closing of the US frontier in the 1890s contributed to the imperial posture of the American state at the turn of the century. But American capitalists invested abroad through the ensuing decades not because of the lack of opportunities at home, but to take advantage of additional opportunities.

It is incorrect, however, to try to explain US imperial practices in aid of commercial interests merely in terms of capitalists imposing them on the American state. The danger with this type of interpretation is that it exaggerates the extent to which capitalists' consciousness of their interests was always so fixed and clear. It also often leads to drawing far too rigid distinctions between internationally oriented and domestically oriented elements of the US capitalist class. The tensions, as well as synergies, between the American state's role vis-à-vis its own society and its growing responsibilities for facilitating capital accumulation in the world at large cannot be reduced to the lobbying of various "class fractions."<sup>17</sup>

Most crucially, such an interpretation gives insufficient weight to the relative autonomy of the American state in developing policy and strategic directions and bringing about political compromises among diverse capitalist forces—and between them and other social forces. This lack of attention to institutional capacity is also evident in Charles Kindleberger's highly influential argument that the Great Depression (and by implication perhaps even the world war that followed it) could have been avoided had the US state been willing to step into the "hegemonic" role that Britain could no longer play as underwriter of the system. This puts too much emphasis on US "reluctance" and too little on its institutional incapacity to manage the international system until the changes it underwent during the New Deal and World War II.<sup>18</sup> Despite the US already having become the leading industrial power and banker to the world by the end of the Great War, and despite the internationalist inclinations of many Republicans as well as Democrats in office, it was only through the crucible of the 1930s and 1940s, as Chapter 2 shows, that the American state developed sufficient institutional capacity to take the helm in a project for making capitalism global.<sup>19</sup>

### *The American Empire and the Internationalization of the State*

The most important novelty of the relationship between capitalism and imperialism that World War II set in train was that the densest imperial networks and institutional linkages, which had earlier run North–South between imperial states and their formal or informal colonies, now ran between the US and the other major capitalist states. The creation of stable conditions for globalized capital accumulation, which Britain had been

unable to achieve (indeed hardly even to contemplate) in the nineteenth century, was now accomplished by the American informal empire, which succeeded in integrating all the other capitalist powers into an effective system of coordination under its aegis.

The significance of this can only be fully appreciated with a proper understanding of what it meant in terms of the internationalization of the capitalist state. The creation of new international institutions in the postwar era did not amount to the beginnings of a proto-global state; these institutions were constituted by national states, and were themselves embedded in the new American empire. National states remained primarily responsible for reorganizing and reproducing their respective countries' social relations and institutions of class, property, currency, contract, and markets. But they were now "internationalized" in a different way than they had been before. Now they too had to accept some responsibility for promoting the accumulation of capital in a manner that contributed to the US-led management of the international capitalist order. The American state did not so much dictate this to other states; rather it "set the parameters within which [the others] determined their course of action."<sup>20</sup>

At the same time, while the policies of the new imperial state continued to reflect pressures coming from domestic social forces, including pressures to represent US capitalists' interests abroad, the state responded to these pressures in a way that redefined the American "national interest" in terms of the extension and defense of global capitalism. Domestic tensions with respect to its international role were reflected in heated debates, and even conflicting definitions of institutional responsibilities, within the American state. These tensions were eased by the fact that the accumulation strategies of the dominant sections of the US capitalist class were themselves increasingly global. That said, the state's actions in support of global capitalism were not merely dictated by American capitalists, even if their growing international interests and connections structured the range of options open to the state in its international role. Moreover, the capacity to generate coherent international policies in the face of the conflicts and compromises inside the American state, as it took on the central responsibility for global capitalism while remaining the nation-state of the USA, was never achieved once and for all. Nor was policymaking ever centered in any singular state "brain." It was only in the context of dealing with specific problems thrown up by an international capitalism, and of the accompanying shifts in the hierarchy of US state agencies, that key actors inside the American state struck the compromises and developed the common tactics to produce the kind of policy cohesion that allows us to speak in terms of the American state's imperial strategies.

Apart from its importance as the world's leading capitalist economy, what added to the legitimacy of the informal American empire was the

cachet that liberal-democratic ideas and the “rule of law” lent to the US abroad, even if this did not always provide credibility to the claim that American military interventions were all about human rights, democracy and freedom. And just as the liberal democratic project of reconciling formal equality of citizenship with the inherently unequal social relations of capitalism obscured the realities of class, so did the attempt to reconcile national self-determination and the formal equality of states with the inherently asymmetric inter-state relations in a capitalist world economy likewise obscure the new realities of empire.

Many US administrative, legal and constitutional forms were imitated in other states, but this was always mediated and refracted by the specific balance of social forces and the institutional make-up of each of them. Their politics were never a direct reflection of American economic penetration of their economies. Nor did other states become merely passive actors in the American empire; “relative autonomy” characterized the internationalization of these states as well. It was relative autonomy within the American empire that allowed other governments to pressure US governments to carry out their pre-eminent responsibilities in the management of global capitalism in ways that would not simply reflect the political and economic pressures to which American political actors were subject at home. But in doing so, these other governments recognized, usually explicitly, that the US alone had the capacity to play the leading role in the expansion, protection, and reproduction of capitalism.

The US-led postwar order is usually presented in terms of “the victory of the interventionist, or welfare, economy over the market economy,” which allowed states to cushion their populations from external disruptions in the context of “the movement towards greater openness in the international economy.”<sup>21</sup> But what the notion of this so-called “embedded liberalism” obscures is that the social welfare reforms were structured so as to be embedded in capitalist social relations. They facilitated not the “decommodification” of society, but rather its increasing commodification through full employment in the labor market and through the consumer demand that the welfare state made possible.<sup>22</sup> The social reforms of the welfare state were extremely important in terms of employment and income security, education and social mobility, and they strengthened working classes in many respects; but at the same time these reforms were limited by the way they were linked to the spreading and deepening of markets amid the relaunching of global capitalism.

Chapter 3 shows that, contrary to what is often supposed, it was precisely the concern to lay a stable basis for the spreading and deepening of global financial markets that was embodied in the 1944 Bretton Woods agreement—and the IMF and World Bank that were established under its auspices. In effectively putting the capitalist world on the dollar standard,

that agreement reflected the recognition on all sides of the immense size, depth, liquidity, and openness of US financial markets, and it ushered in the steady expansion of the financial sector both in the US and internationally.<sup>23</sup> The considerable power that bankers retained within the American capitalist class and the institutional intertwining of the US Treasury and Federal Reserve with Wall Street were registered in the American state's abandonment of its capital controls after the war. The controls that other capitalist states maintained represented not the defeat of international finance, but rather a pragmatic conjunctural response to postwar economic realities. Most US political actors regarded these controls as temporary arrangements. The explicit long-term goal of the American state was to create the material and legal conditions for the free movement of capital throughout the world. Precisely because these conditions were so successfully fostered in the advanced capitalist countries during the Bretton Woods era, those years should be understood as "the cradle of the global financial order that eventually emerged."<sup>24</sup>

One key feature of this transformation was the deeper incorporation of the American working class despite its considerable militancy immediately after World War II. As Chapter 4 shows, another of its crucial aspects, for which there was no historical precedent, was the extent to which US governments supported the revival of potential economic competitors—through low-interest loans, direct grants, technological assistance, and favorable trading relations—so that they could sell their products to the US. A pattern was thereby set for the economic integration of all the leading capitalist countries, and continues to this day. This laid the basis for the spread of US MNCs, whose growing strength and reach in turn reinforced the imperial capacities of the American state. The increasing flow of investment from Europe and Japan to the US further deepened the shift from "soft" integration based on lower tariffs to "hard" integration in the shape of cross-border networks of production. This did not mean that trade had become less important, but it was now structured by a broad range of MNCs that were more and more dependent on the regular flow of cross-border inputs and outputs. This increased pressures on states to support the "constitutionalization" of free trade and capital movements through both bilateral and multilateral agreements that effectively protected the assets and profits of MNCs around the world.<sup>25</sup>

As capitalist states increasingly sought to attract foreign investment, their policies became more oriented to offering equal treatment to *all* capitalists, independent of their nationality, which was precisely what the American state had pressed for. MNCs came to depend on equal national treatment by many states; and these states were also internationalized in the sense of coming to take on more and more responsibility for creating and strengthening the conditions for non-discriminatory accumulation within their

borders. This eventually included legal and regulatory changes that facilitated the development of their own MNCs along the lines pioneered by the American state. This did not spawn a “transnational capitalist class,” loosened from any state moorings or about to spawn a supranational global state; “national capital,” in the shape of firms with dense historic linkages and distinct characteristics, did not disappear.<sup>26</sup> Nor did economic competition between various centers of accumulation. But the interpenetration of capitals did largely efface the interest and capacity of each “national bourgeoisie” to act as the kind of coherent force that might have supported challenges to the informal American empire. Indeed they usually became hostile to the idea of any such challenge, not least because they saw the American state as the ultimate guarantor of capitalist interests globally.

The dense linkages binding these states to the American empire were also institutionalized, of course, through NATO and the hub-and-spokes networks of intelligence and security apparatuses between Washington and the other capitalist states. The containment of Communism, whether in the Cold War in Europe or the very hot wars in East Asia, was largely about ensuring that as many of the world’s states as possible would be open to the accumulation of capital. As Bacevich has put it: “US grand strategy during the Cold War required not only containing communism but also taking active measures to open up the world politically, culturally, and, above all, economically—which is precisely what policymakers said they intended to do.”<sup>27</sup> They made this quite clear, moreover, as is now widely accepted among historians, “well before the Soviet Union emerged as a clear and present antagonist.”<sup>28</sup> This was not, as has often been suggested, an extension of the old Open Door policy.<sup>29</sup> That earlier policy had been conceived as securing equal treatment for American products and businessmen within the rival capitalist imperial spheres of influence, whereas the central strategic concern of those who planned the new American empire during World War II was to do away with discrete capitalist spheres of influence altogether. Their prime goal was to “alter the character of the capitalist core.”<sup>30</sup>

The new relationship between capitalism and empire established at this time should not be understood in terms of the old “territorial logic of power” long associated with imperial rule merely becoming fused with the “capitalist logic of power” associated with “capital accumulation in space and time.”<sup>31</sup> The US informal empire constituted a distinctly new form of political rule. Instead of aiming for territorial expansion along the lines of the old empires, US military interventions abroad were primarily aimed at preventing the closure of particular places or whole regions of the globe to capital accumulation. This was part of a larger remit of creating openings for or removing barriers to capital in general, not just US capital. The maintenance and indeed steady growth of US military installations around the

globe after World War II, mostly on the territory of independent states, needs to be seen in this light, rather than in terms of securing territorial space for the exclusive US use of natural resources and accumulation by its corporations.<sup>32</sup> For instance, US interventions in the Middle East—from the overthrow of Mossadegh in Iran in 1953 to the overthrow of Saddam fifty years later—cannot be understood simply in terms of keeping US gas prices low or winning exploration contracts for American companies. Such narrow concerns would not themselves “merit the intense level of US intervention in the region . . . Rather, America ensures that oil flows from the Persian Gulf are available to fuel international trade and economy as part of its global superpower responsibilities.”<sup>33</sup>

The fact that the US could also plausibly present itself as anti-imperialist (in the old sense of the term) was based on its general encouragement of postwar decolonization and its promotion of an open and inclusive world capitalism. Of course, both the legacy of the old imperialisms, and the vast imbalance between the size of the Marshall Plan and Third World development aid, reproduced global inequalities between the new states and the advanced capitalist ones. Critical use of the term “imperialism” now became ever more loosely associated with core-periphery relations, dependency, and unequal exchange, with little focus on what distinguished the US from other empires. All the advanced capitalist countries might continue to benefit from the North–South divide, but any interventions abroad by them had to be either American-initiated or at least have American approval. The American state arrogated to itself the sole right to intervene against other sovereign states (which it repeatedly did around the world), and largely reserved to its own discretion the interpretation of international rules and norms. Its global reach and responsibilities made it not so much *primus inter pares* as qualitatively distinct from the other advanced capitalist states. (The Soviet Union was of course an entirely different matter, and insofar as it also played an imperial role in the postwar era, it did so in a very different way, precisely because it was not a capitalist state.)

### *Economic Crisis and the Illusion of Hegemonic Decline*

By the 1960s, alongside the activities of MNCs abroad, the international operations of US management, legal, accounting, and consultancy firms also facilitated the making of global capitalism under the aegis of the American empire. This was further enhanced when the City of London switched its international allegiance from sterling to the dollar, and became by the 1960s the Eurodollar satellite of Wall Street. But, together with the appearance of US balance of payments deficits due to the flow of imports from Europe, as well as increased US foreign direct investment (FDI from here on) in Europe, this raised severe problems for the dollar’s fixed

exchange rate, even though the US Treasury bond market still served as the foundation for all calculations of value in the global capitalist economy. As Chapter 5 shows, it became the remit of the international nexus formed by the staffs of the US Treasury and Federal Reserve with those of the finance ministries and central banks of Europe and Japan to try to cope with the dollar's problems. In the end they failed to do so within the Bretton Woods framework. That failure was ultimately due to the contradictions produced by the success of the "golden age" in producing near full employment by the 1960s. Growing worker militancy in the advanced capitalist countries, and assertions of economic nationalism in the Third World, combined to deepen the "crisis of the dollar." This was a situation that proved confusing to all the main actors—including the Americans.

Many observers thought that the policy tensions among states around the time of the breakdown of Bretton Woods were a sign of challenges to American hegemony, and the clear beginnings of its decline.<sup>34</sup> As usual, the most prominent US political scientists were picking up the unease of American policymakers themselves, who, having "encouraged as a deliberate act of American policy" the growth of the US's main trading partners in the postwar era, were by the 1960s speaking privately in terms of "trying to make the decline of the United States in the world respectable and orderly."<sup>35</sup> In many respects, the expectations of US international relations "realists" were similar to those of Marxists who continued to expect a resurgence of inter-imperial rivalry.<sup>36</sup> Yet, as Nicos Poulantzas was one of the few to understand clearly at the time, this failed to appreciate the depth of the incorporation of other advanced capitalist states into the new American empire. As he put it just when the first serious postwar capitalist economic crisis was unfolding, in the early 1970s, there was "no solution to this crisis, as the European bourgeoisies themselves are perfectly aware, by these bourgeoisies attacking American capital . . . The question for them . . . is rather to reorganize a hegemony that they still accept."<sup>37</sup>

American "structural power" (to employ Susan Strange's term) was actually enhanced in the wake of the jettisoning of Bretton Woods, although this was not widely recognized until long after the dust from the crisis of the 1970s had settled.<sup>38</sup> It was only well into the 1990s, for instance, that Peter Gowan could plausibly present an account of the Nixon administration's 1971 decision to detach the dollar from gold as a "Faustian bid for world dominance" designed to give the US "monocratic power over international monetary affairs."<sup>39</sup> Yet despite its insights, this interpretation not only downplayed the importance of the links between New York and Washington *throughout* the postwar period; it also overplayed the coherence and clarity with which US policymakers responded to the crisis. In fact, the American state had embarked on an uncharted voyage through the "stagflationary" crisis decade of the 1970s.



But what was most significant was that this crisis did not produce anything approaching the kind of inter-imperial rivalry to which earlier capitalist crises had given rise. As Chapter 6 shows, the institutional infrastructure for the internationalization of the state built by the US, Europe, and Japan in trying to save Bretton Woods would lead in the 1970s to the creation of the G7, and would be crucially important in guiding the passage of international capitalism through the crisis. The fears of overwhelming currency instability once gold was demonetized “along with copper, nickel, silver, not to mention wampum and clam shells” (as Kindleberger once sarcastically put it<sup>40</sup>) proved unfounded, not least due to the development of currency derivatives by US financial markets. The development of derivative markets provided risk-insurance in a complex global economy without which the internationalization of capital via trade and FDI would otherwise have been significantly restricted.

In 1978 a scarcely noticed US law formally repealed the century-old Coinage Act, which had obliged the American state to convert dollars into gold coins or bullion. That this act was passed without any fanfare reflected the fact that “nobody seriously thought of the dollar in terms of its gold equivalent any longer.”<sup>41</sup> But this certainly did not mean that no one any longer thought about the dollar’s substantive value. On the contrary, the issue was now not just one of fluctuating exchange rates, or the US balance of payments, or even the price of Treasury bonds; the dollar’s growing centrality as the measure of value in the global circuits of capital after the collapse of Bretton Woods made the American state’s responsibility for sustaining capitalist confidence in the dollar more critical than ever. What had really sapped this confidence was the inflationary threat which full employment had given rise to, especially as this was associated with increasing labor militancy and popular pressures for greater social expenditure, economic planning, and controls over investment.

It was only when class discipline was eventually imposed inside the advanced capitalist economies that an exit from the crisis of the 1970s was found.<sup>42</sup> Amid a run on the dollar at the end of the decade, as Chapter 7 shows, the stage was finally set for the policy, introduced by the US Federal Reserve under Paul Volcker in 1979, which imposed that discipline. The “Volcker shock,” as the Fed’s draconian increase in interest rates became known, was designed to establish a permanent anti-inflation parameter which would guarantee that the dollar, backed by Treasury bonds, would provide a reliable anchor for international finance. This was accompanied by a broader neoliberal turn in the US, and its subsequent near-universalization as almost all the world’s states, soon including Communist ones, opened themselves up to free trade and the free movement of capital, and promoted the spread and deepening of capitalist social relations.

The common tendency to analyze these developments in terms of the

key tenets of neoliberal ideology as articulated by Reagan or Thatcher, or for that matter by Milton Friedman or Alan Greenspan, is a classic case of failing to see the wood for the trees. It misses the continuities between their prescriptions for free markets and the long-term goals already articulated by the American state at the time of the relaunching of global capitalism in the postwar era. And it fails to register the growing contradictions within the postwar class compromise, as the realization of near full employment and growing social expenditures took place alongside rapidly increasing commodification and ever-deepening capitalist social relations. Neoliberalism involved not only the restructuring of institutions to ensure that the anti-inflation parameter was enforced, but also the removal of barriers to competition in all markets, and especially in the labor market. Breaking the inflationary spiral involved, above all, disciplining labor. By accomplishing this, it secured the confidence of industrial as well as financial capital. Despite the Reaganite rhetoric in which neoliberal practices were enveloped (“government is not the solution, government is the problem”), it was the state that was the key actor. The mechanisms of neoliberalism—understood in terms of the expansion and deepening of markets and competitive pressures—may have been economic, but neoliberalism was essentially a *political* response to the democratic gains that had been previously achieved by working classes and which had become, from capital’s perspective, barriers to accumulation. It was only on the most stylized and superficial reading that the state could be seen to have withdrawn. Neoliberal *practices* did not entail institutional retreat so much as the expansion and consolidation of the networks of institutional linkages to an already globalizing capitalism.

In understanding both the trajectory and the contradictions of capitalism in the second half of the twentieth century, it is very significant that the new period of financial competition, growth, and innovation was spawned not in the era of neoliberalism during the reactionary 1980s under the imprint of Reaganism and Thatcherism, but rather, as we shall see, during the heyday of Keynesianism in the radical 1960s, under the imprint of Kennedy’s Camelot and Johnson’s “Great Society.” The ever-increasing importance of the Treasury and Federal Reserve within the American state was directly related to this, as well as to the further explosion of global finance in the 1980s, at the center of which were the large US international banks. Apart from being the key vehicle for the diffusion of American policy abroad through the liberalization of regulations on capital flows, financial markets also contributed in crucial ways to the renewal of the American empire. It was not so much that the American state “exploited” its power to secure favorable treatment from financial markets; rather, overseas central banks and private investors, whether structurally dependent on the US or attracted to the safety and returns in US financial markets, had a strong interest in moving funds to the US. As capital markets everywhere

became increasingly internationalized, the US could take advantage of the depth and breadth of its financial markets to supplement its trade in goods with its international financial services. This is why US trade deficits no longer led to a crisis of the dollar.

Nevertheless these trade deficits, combined with the manifest effect of economic restructuring in industrial shutdowns and layoffs, fomented further widespread angst about “American decline.”<sup>43</sup> An insistent theme of more critical analysts was that the new age of finance was a symptom of the failure to resolve the profitability crisis of the 1970s.<sup>44</sup> In fact, the weakening of labor provided American capital with competitive flexibility, and the explosion of finance contributed to the restoration of general profitability, both through the disciplinary impact of the “shareholder value” precepts it sponsored within firms and through the allocation of capital across firms. Firms restructured key production processes, outsourced others to cheaper and more specialized suppliers, and relocated to the US south—all as part of an accelerated general reallocation of capital within the American economy. Amid the bravado and almost manic competitiveness of Wall Street, pools of venture capital were made available for the high-tech firms of the “new economy.”

By the late 1980s these transformations in production laid the basis for US exports to grow faster than those of all other advanced capitalist countries. Moreover, the American economy’s unique access to global savings through the central position of Wall Street in global money markets allowed it to import freely without compromising other objectives. Despite very high rates of growth in the newly industrializing countries of the global south—the so-called NICs—the US proportion of world production remained stable, at around one-fourth of the total, right into the twenty-first century. In terms of the strength of American capitalism, there were indeed really two golden ages—the quarter-century up to the crisis of the 1970s (approximately 1948–73) and the quarter-century following the resolution of that crisis (approximately 1983–2007).

Many people initially expected that the Western European and East Asian “varieties of capitalism,” characterized by “strong states” with “coordinated market economies,” would provide an alternative to the allegedly “weak” type of Anglo-American states that were fully subjected to free market ideology and practice.<sup>45</sup> Even apart from the wildly erroneous designation of the American state as “weak,” this view failed to recognize how far the increasingly transnational orientation of the leading sectors of capital in Europe and Asia necessarily involved greater ties with American capital. As Chapter 8 shows, the heady enthusiasm that attended the Common Market’s completion in the 1960s soon gave way to “Eurosclerosis.” The first steps towards a common European currency, in 1979, were seen by many as the battering ram for a challenge not only to the dollar but also to

US imperial hegemony. But the persistent inability to develop adequate mechanisms for transfers from surplus countries to deficit countries within the EU, together with the defeats suffered by the Left in the 1980s, reinforced Europe's economic dependence on the US as "consumer of last resort," and made "delinking" European capitalism from American capitalism virtually impossible.<sup>46</sup>

A similar mistake was commonly made in relation to Japan. The massive flow of Japanese capital to the US in the 1980s gave rise to widespread predictions that Japan would displace the US as capitalism's hegemonic power. But this reflected a fundamental misconception, namely that foreigners' purchases of US financial assets were all about compensating for the US trade deficit. Rather, as foreign capital was keen to invest inside the giant US economy and foreign states were eager to stabilize their currencies at competitive levels, both were attracted by deep US financial markets and their broad array of products and services. In practice, the flow of Japanese funds into US private assets and securities as well as Treasury bonds had the effect of reinforcing the American empire, not of turning the US into a supplicant debtor. It validated the dollar's role as the global currency and gave the Federal Reserve enormous leeway in setting interest rates, while permitting not only a large trade deficit but also the fiscal deficits that came with Reagan's policy of tax cuts combined with increased military spending. And, by no means least important, it enabled the Treasury and Federal Reserve to play an indispensable role as the world's firefighters-in-chief, turning on the taps of liquidity to douse the repeated crises that were an inevitable consequence of the increasingly volatile global financial system.

### *Consolidating Capitalism and Containing Crises*

The extension of capitalism as a global project through the final quarter of the twentieth century was intimately related to the development of the new mechanisms of international coordination sponsored by the renewed American empire. As Chapter 9 shows, the practice of neoliberalism reinforced the material and ideological conditions for international legal rules guaranteeing free trade and for the national treatment for foreign capital in each social formation. This was exemplified by NAFTA, European Economic and Monetary Union, and the WTO, as well as by the bilateral investment treaties promoted by the US Trade Representative. In addition to the G7's role in forging a consensus first among finance ministries and then among heads of state, the Bank for International Settlements re-emerged as the major coordinating agency for central bankers, while the IMF became the vehicle for imposing neoliberal "structural adjustments" on Third World economies.

None of this could, in fact, go very far, or be very stable, without a much

deeper process of capitalist state-building, or what the World Bank called developing “effective states.”<sup>47</sup> Moreover, far from neoliberal legal rules finally creating a crisis-free world order, as the proponents of free trade promised, periodic interruptions in accumulation now more than ever took place on a global plane. The intensified competition characteristic of neoliberalism, and the hyper-mobility of financial capital, aggravated the uneven development and volatility inherent in this global order. In fact, although global financial markets were increasingly important for mediating the integrated production circuits of global capitalism, they also vastly increased the likelihood of currency and bank crises.

So the consolidation of capitalism through the last decades of the twentieth century did not bring a new plateau of global stability. Instead, this global financial volatility left the developing countries of Asia, Africa, and Latin America increasingly dependent on the crisis-management role of the US empire, as Chapter 10 shows. In the 1990s, at the same time as the US was called upon to act as the global policeman against human rights violations by “rogue states,”<sup>48</sup> so was it also expected to put out financial conflagrations around the world. In the wake of the 1997–98 Asian financial crisis, with the US Treasury now explicitly defining its role in terms of “failure containment” rather than “failure prevention,” the cover of *Time* pictured Alan Greenspan of the Federal Reserve and Robert Rubin and Lawrence Summers of the US Treasury beneath the banner “THE COMMITTEE TO SAVE THE WORLD.”<sup>49</sup> Conjured up here was an image of the American state as a global “executive committee of the bourgeoisie” (as Marx famously called the capitalist state). In advance of the creation of the G20 at the initiative of the US Treasury in 1998, Summers himself paraphrased the opening words of the *Communist Manifesto*: “[A] spectre is haunting the world’s governments: that of the global capital market whose advances they cannot resist, whose sudden rejections they cannot survive . . . We need systems that can handle failure because until the system is safe for failure, we will not be able to count on success.”<sup>50</sup>

Those at the pinnacle of the American state clearly shared Paul Volcker’s view that both the volatility embedded in the globalization of finance and the US global role in containing the crises this produced were “a price we pay for the enormous advantages, the indispensable advantages, of open and competitive financial markets. It’s part and parcel of the process of ‘creative destruction.’”<sup>51</sup> Even as they bore responsibility for managing crises, they were determined that such changes as were introduced to the regulatory “architecture” of international financial markets should not get in the way of the “indispensable advantages” the markets offered for making more and more of the world capitalist.

As Chapter 11 shows, by the millennium all the elements of “globalization”—the transformations in the global division of labor, the development

of competitive networks of production, and a new financial architecture to facilitate accelerated financialization—were implicated both in the US economy’s continuing centrality in global capitalism and in the successful integration into it of the huge and fast-growing Chinese economy. At the beginning of the twentieth century the *Communist Manifesto*’s prediction that the bourgeoisie would soon “batter down all Chinese walls” was, despite the Open Door policy, still very far from being realized.<sup>52</sup> Half a century later, when the American informal empire was still at an early stage of expansion beyond its own hemisphere, the US was primarily concerned that China’s Communist revolution should not have any domino effects in Asia. Three decades later, however, when the Chinese Communist elite made its historic determination that the most promising path to development passed through capitalism, this coincided with a new stage in the informal American empire’s drive to realize a fully global capitalism.

The failure to grasp the centrality of the American empire to capitalist globalization led many commentators to predict that China’s entry into it marked a fundamental “re-Orienta-tion” of the global capitalist order.<sup>53</sup> Concerns over American dependence on external finance shifted from Japan to China, while fears that persistent US trade deficits reflected a “hollowing out” of the American economy were revived and intensified. But the US trade and credit “imbalances” were actually indicative of the extent of China’s integration into the American-led global capitalist order. US imports from China provided low-cost inputs for businesses and cheap consumer goods for workers, while China’s march to capitalism at home was characterized by the largest inflow of foreign capital and technology as well as the greatest export dependence of any late developer in history.

### *The New Crisis*

The foreign reserves that not only China but other export-oriented developing states invested in US Treasuries were explicitly designed to prevent any recurrence of the vulnerability to capital outflows that South Korea and the other East Asian NICs had experienced in 1997–98. But the financial volatility that attended an increasingly integrated global capitalism was nevertheless preparing the ground for the first great capitalist crisis of the twenty-first century. If the financial crisis that began in 1997 deserved to be called the Asian Crisis, because of where it emanated from, the global crisis that started a decade later, in 2007, deserves to be known as the American Crisis. This is the subject of Chapter 12.

The nature of this crisis cannot be grasped if it is not first understood how not only labor but also capital—and not least finance—were strengthened in the postwar Keynesian era, how that determined both the causes and the outcomes of the 1970s crisis, and how the particular resolution of that crisis in

turn set up the conditions for the American and global crisis three decades later. The failure to recognize this obscures the fundamental differences between the 1970s crisis and the present one in terms of the degree of working-class strength; the transformations in finance, technology, and the international division of labor; and key institutional changes that have occurred within and among states. By the 1980s and 1990s the greater mobility of financial capital across sectors, space, and time (especially via derivatives)—that is, financial capital’s quality as general or “abstract” capital—greatly intensified domestic and international competition at the same time as it brought a much greater degree of financial volatility. Thus, while the phenomenal growth of financial markets since the 1980s led to over-leveraging and excessive risk-taking, this was tolerated and in fact encouraged for reasons that went far beyond the competitive dynamics and power of finance itself. It was accepted because financial markets had become so crucial to the domestic and global expansion of capitalism in general.

Despite the sheer tenacity of the view, going back to the theories of imperialism a century earlier, that overaccumulation is the source of all capitalist crises, the crisis that erupted in the US in 2007 was not caused by a profit squeeze or collapse of investment due to general overaccumulation in the economy.<sup>54</sup> In the US, in particular, profits and investments had recovered strongly since the early 1980s. Nor was it caused by a weakening of the dollar due to the recycling of China’s trade surpluses, as so many had predicted. On the contrary, the enormous foreign purchases of US Treasuries had allowed a low-interest-rate policy to be sustained in the US after the bursting of the “new economy” stock bubble at the beginning of the new century. While this stoked an even greater real-estate bubble, after a brief downturn economic growth and non-residential investment resumed. Indeed, investment was growing significantly in the two years before the onset of the crisis, profits were at a peak, and capacity-utilization in industry had just moved above the historic average.

It was only *after* the financial meltdown in 2007–08 that profits and investment declined. The roots of the crisis, in fact, lay in the growing global importance of US mortgage finance—a development which could not be understood apart from the expanded state support for home ownership, a long-standing element in the integration of workers into US capitalism. Since the 1980s, wages had stagnated and social programs had been eroded, reinforcing workers’ dependence on the rising value of their homes as a source of economic security. The decisive role of American state agencies in encouraging the development of mortgage-backed securities figured prominently in their spread throughout global financial markets. The close linkages between these markets and the American state were thus crucial both to the making of the US housing bubble and to its profound global impact when it burst, as mortgage-backed securities became difficult

to value and to sell, thus freezing the world's financial markets. But crucially important in explaining why the financial crisis turned into such a severe economic crisis was that the collapse of housing prices also undermined workers' main source of wealth, leading to a dramatic fall in US consumer spending. The bursting of the housing bubble thus had much greater effects than had the earlier bursting of the stock-market bubble at the turn of the century, and much greater implications for global capitalism in terms of the role the US played as "consumer of last resort."

In true imperial fashion, the US fully shared its problems with the rest of the world. Given the role of US financial assets and consumer spending in global capitalism, illusions that other regions might be able avoid the crisis were quickly dispelled. But the centrality of the American state was at the same time made clearer than ever. Its key role in global crisis management was confirmed as the crisis unfolded, from the US Federal Reserve directly bailing out foreign banks and providing other central banks with much-needed dollars, to the Treasury's coordination of stimulus policies with other states. The enormous demand for US Treasury bonds right through the crisis reflected the extent to which the American state continued to be regarded as the ultimate guarantor of value, and demonstrated how much the world remained on the dollar standard. Even while international tensions surfaced, what was so striking when the G20 leaders were gathered together to meet for the first time in late 2008 in Washington, DC was the consensus on avoiding protectionist measures.

The establishment of the G20 was not a matter of shifting effective decision-making powers from the national to the international level, much less from the American state to an international body. The G7 had never been about this in any case, and US hegemony within it was even further enhanced by the turn of the century. But it did symbolize the growing importance, and at the same time the difficult challenge, of integrating the leading developing states into the management of the global capitalist system under the aegis of the American empire. As we argue in the Conclusion, the severity of the first great crisis of the twenty-first century clearly exposed how far all of the world's states are enveloped in capitalism's irrationalities. Yet it was especially notable that the fissures the crisis produced did not take the form of conflicts between capitalist states, but of social conflict within them. The significance of the fact that the political fault-lines of global capitalism run within states rather than between them is, we suggest, replete with implications for the American empire's capacity to sustain global capitalism in the twenty-first century. It is also pregnant with possibilities for the emergence of new movements to transcend capitalist markets and states.



## Notes

### Introduction

- 1 See David Held's early definition of "globalization" as a distinctively new "international order involving the emergence of a global economic system which stretches beyond the control of a single state (even of dominant states)," in his "Democracy: From City-States to a Cosmopolitan Order?" *Political Studies*, XL, Special Issue (1992), pp. 32–4; and the critique of this in Leo Panitch, "Globalization and the State," *Socialist Register 1994*, London: Merlin, 1994. Although Held would later come to speak in terms of the "transformation" of states by globalization, the substance of the argument did not really change. In this type of discourse, usually the very things that were taken as the measures of globalization—the free flow of capital, the intensification of worldwide competition, the revolution in communications technology—were simultaneously offered as the explanations of it. See Justin Rosenberg, *The Follies of Globalization Theory*, London: Verso, 2000. See also Saskia Sassen, *Losing Control? Sovereignty in a Age of Globalization*, New York: Columbia University Press, 1996.
- 2 The quote is from Eric Hobsbawm, *Age of Extremes*, London: Michael Joseph, 1996, p. 281. For an outstanding overview of the literature on states and globalization, as well as an analysis in good part complementary to our own of the extent to which changes in state structures, including their modes of regulation, were constitutive of globalization, see Saskia Sassen, *Territory, Authority, Rights: From Medieval to Global Assemblages*, Princeton: Princeton University Press, 2006.
- 3 "For globalization to work, America can't be afraid to act like the almighty superpower that it is" were the words emblazoned on the cover of the *New York Times Magazine* to feature Thomas Friedman's "Manifesto for a Fast World" in its March 28, 1999 issue (similar treatment was accorded to "The American Empire—Get Used to It," by Michael Ignatieff, on January 6, 2003, in the run-up to the invasion of Iraq). On the other hand, Hardt and Negri's best-selling book *Empire* argued that the term should be applied to the process of globalization itself—a process that ensured that the "United States does not, and indeed no nation state can today, form the centre of an imperialist project." Michael Hardt and Antonio Negri, *Empire*, Cambridge, MA: Harvard University Press, 2000. For a broader review of the use of the term "empire" as applied to the US at this time, see Niall Ferguson, *Colossus: The Rise and Fall of American Empire*, New York: Penguin, 2005, esp. pp. 3–7.

- 4 For our earlier work on this, see “The New Imperial State,” *New Left Review* II/2 (March–April 2000); “Global Capitalism and American Empire,” *Socialist Register* 2004, London: Merlin, 2003; “Finance and American Empire,” *Socialist Register* 2005, London: Merlin, 2005; and “Superintending Global Capital,” *New Left Review* II/35 (September–October 2005).
- 5 See *The Communist Manifesto*, London: Merlin, 1998, p. 4; and *Grundrisse: Foundation of the Critique of Political Economy*, Harmondsworth: Penguin, 1973, p. 410.
- 6 *The Great Transformation*, Boston: Beacon, 1957, p. 18.
- 7 Philip McMichael, “Revisiting the Question of the Transnational State: A Comment on William Robinson’s ‘Social theory and Globalization,’” *Theory and Society* 30 (2001), p. 202.
- 8 As in much of social science, there is an unfortunate tendency within Marxism to write theory in the present tense. We are sympathetic to E. P. Thompson’s famous lament that Marx himself became for a period “caught into the trap” baited by classical political economy’s search for “fixed and eternal laws independent of historical specificity.” *The Poverty of Theory and Other Essays*, London: Merlin, 1978, esp. pp. 251–3.
- 9 In light of widespread misguided assumptions—and often misrepresentations—of what is entailed in such a theory, it is important to stress that we are not proceeding from an ideal-typical notion of what capitalism requires, and then asserting in a functionalist manner that states must meet such requirements. Nor do we see the relationship between policymaking and capital accumulation as a matter of capitalists telling state actors what to do. For excellent discussions of the extent to which Miliband, Poulantzas, and others who have sought to develop a theory of the capitalist state successfully avoided such problems, see especially Stanley Aronowitz and Peter Bratsis, eds., *Paradigm Lost: State Theory Reconsidered*, Minneapolis: University of Minnesota Press, 2002; Paul Wetherly, Clyde W. Barrow, and Peter Burnham, *Class Power and the State in Capitalist Society*, London: Palgrave Macmillan, 2008; and Alexander Gallas, Lars Bretthauer, John Kannankulam, and Ingo Stützle, eds., *Reading Poulantzas*, London, Merlin Press, 2011.
- 10 See Hannes Lacher, *Beyond Globalization: Capitalism, Territoriality and the International Relations of Modernity*, London: Routledge, 2006; as well as Perry Anderson’s earlier classic, *Lineages of the Absolutist State*, London: New Left Books, 1974.
- 11 See Panitch, “Globalization and the State,” pp. 69–71; as well as Robert Cox, *Production, Power and World Order*, New York: Columbia University Press, 1987, esp. pp. 132–3; and Nicos Poulantzas, *Classes in Contemporary Capitalism*, London: New Left Books, 1974, esp. p. 73.
- 12 Among the pre-capitalist absolutist states that founded Europe’s mercantile empires, by the eighteenth century only England had developed a “conception of empire rooted in capitalist principles in pursuit of profit derived not simply from exchange but from the creation of value in competitive production.” Ellen Meiksins Wood, *Empire of Capital*, London: Verso, 2003, p. 100. And just as a highly active British state was involved in developing the differentiation between the economic and political that went by the name of “laissez faire,” so did its practice of the “imperialism of free

trade” in the nineteenth century, especially in Latin America, establish the prototype of an “informal empire.” The conventional notion that free trade and imperialism did not mix was a misconception carried into the twentieth century by thinkers as diverse as Lenin and Schumpeter, but it was in fact rooted in the views of the free-trade liberals themselves. It was belied by the innumerable occupations and annexations, the addition of new colonies, and especially by the importance of India to the empire, during the heyday of free trade between the 1840s and the 1870s. John Gallagher and Ronald Robinson originally explained what this meant for the nature of British imperialism: “The type of political line between the expanding economy and its formal and informal dependencies . . . tended to vary with the economic value of the territory, the strength of its political structure, the readiness of its rulers to collaborate with British commercial and strategic purposes, the ability of the native society to undergo economic change without external control, the extent to which domestic and foreign political situations permitted British intervention, and, finally, how far European rivals allowed British policy a free hand.” “The Imperialism of Free Trade,” *Economic History Review* VI: 1 (1953), pp. 6–7.

- 13 Colin Leys, “Conflict and Convergence in Development Theory,” in W. J. Mommsen and J. Osterhammel, eds., *Imperialism and After*, London: Allen & Unwin, 1986, p. 322. See also Norman Etherington, *Theories of Imperialism: War, Conquest and Capital*, London: Croom Helm, 1984. The failure to make this distinction ensured that the words that opened Kautsky’s infamous essay in 1914—the one that so attracted Lenin’s ire—increasingly rang true: “First of all, we need to be clear what we understand from the term imperialism. This word is used in every which way, but the more we discuss and speak about it the more communication and understanding becomes weakened.” “Der Imperialismus,” *Die Neue Ziet*, Year 32, XXXII/2 (September 11, 1914), p. 908.
- 14 The increasingly severe analytic problems with Hobson’s as well as the Marxist theories of imperialism gave rise by the 1970s to complaints that their association of imperialism with “an undifferentiated global product of a certain stage of capitalism” reflected their lack of “any serious historical or sociological dimensions.” Gareth Stedman Jones, “The Specificity of US Imperialism,” *New Left Review* 1/60 (March–April 1970), p. 60 n. 1. Giovanni Arrighi went so far as to say that “by the end of the 60s, what had once been the *pride* of Marxism—the theory of imperialism—had become a tower of Babel, in which not even Marxists knew any longer how to find their way.” Giovanni Arrighi, *The Geometry of Imperialism*, London: NLB, 1978, p. 17.
- 15 Our argument in this respect is thus quite different from that of Niall Ferguson, who at various points adopts something close to a historical-materialist definition of the US as a *liberal empire*—“one that not only underwrites the free international exchange of commodities, labor and capital but also creates and upholds the conditions without which markets cannot function”—but insists, despite much of the evidence in his own book, that in practice the US “has been a surprisingly inept empire builder.” *Colossus*, p. 2.
- 16 The classic study in this vein is William Appleman Williams, *The Contours of American History*, Chicago: Quadrangle, 1966. Andrew J. Bacevich embraced this interpretation

in his *American Empire: The Realities and Consequences of US Diplomacy*, Cambridge, MA: Harvard University Press, 2002, even though it fails to register the small contribution that exports made to capital accumulation relative to the domestic economy at the time, and gives vastly disproportionate weight to the significance of US capitalist expansion in Central America at a time when California was barely yet a site of US capital accumulation. Others who have recently embraced this Open Door explanation of US foreign economic policy have acknowledged that “US economic well-being did not objectively depend on trade,” but still insist that “policy makers in Washington believed that prosperity was tied to its exports abroad.” Christopher Layne, *The Peace of Illusions: American Grand Strategy from 1940 to the Present*, Ithaca: Cornell University Press, 2006, p. 72. As Gabriel Kolko long ago pointed out, this interpretation suggests a kind of “transcendental false consciousness” whereby capital and the state “failed to perceive where it was their main gains were to be made.” But despite his insistence on the need for a more sophisticated explanation than “the specific needs of this or that business interest,” Kolko unfortunately offered only an uncritical reference to the “general theory of the role of imperialism in resolving United States capitalism’s structural contradictions.” Gabriel Kolko, *Main Currents in Modern American History*, New York: Harper & Row, 1976, p. 36.

- 17 An insistent line of interpretation, originally advanced by radical scholars but today also embraced much more widely, has made this error in directly tracing US policy to the influence of “large capital-intensive corporations that looked to overseas markets and outward-looking investment banks” (as opposed to “labour-intensive industries that favoured economic nationalism”). And if it is admitted, on this interpretation, that it is not quite correct to speak of these capitalist “dominant elites” as “hijacking the state,” it is only because they allegedly “are the state.” See Layne, *Peace of Illusions*, esp. pp. 200–1, which explicitly draws here on Tom Ferguson’s famous essay, “From Normalcy to New Deal,” *International Organization* 38: 1 (Winter 1984).
- 18 See Charles P. Kindleberger, *The World in Depression 1929–39*, Berkeley: University of California Press, 1973, esp. pp. 28, 298.
- 19 We share Rhonda Levine’s assessment that, while Theda Skocpol and her associates were correct in showing how much the New Deal enhanced state capacities, their attempt to counterpose this against a rather “caricatured reading” of the 1970s Marxist theory-of-the-state debate was unjustified, and itself involved a misleading conceptualization of the state “as being independent from the social relations of capitalism,” including “the limits imposed by the accumulation process on class forces” as well as directly on the state itself. See Rhonda F. Levine, *Class Struggle and the New Deal*, Lawrence: Kansas University Press, 1988, pp. 9–13.
- 20 “Even when it did not speak first, the allies always had to figure America’s response into their actions. This defining function was crucial.” Geir Lundestad, *The United States and Western Europe since 1945*, Oxford: OUP, 2003, p. 64.
- 21 John G. Ruggie, “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order,” *International Organization* 36: 2 (Spring 1982), pp. 405, 410.

- 22 See especially Hannes Lacher, "The Politics of the Market: Re-Reading Karl Polanyi," *Global Society* 13: 3 (1999); and "Embedded Liberalism, Disembedded Markets: Re-Conceptualizing the *Pax Americana*," *New Political Economy* 4: 3 (1999).
- 23 Our argument that Bretton Woods laid the foundation for financial globalization runs counter to the influential interpretation offered in Eric Helleiner, *States and the Reemergence of International Finance*, Ithaca: Cornell University Press, 1994, as well as in Saskia Sassen, *Territory, Authority, Rights*.
- 24 Stefano Battilossi, "Introduction: International Banking and the American Challenge in Historical Perspective," in Stefano Battilossi and Youssef Cassis, eds., *European Banks and the American Challenge*, Oxford: OUP, 2002, p. 27.
- 25 See Stephen Gill, "The Emerging World Order and European Change: The Political Economy of European Union," *Socialist Register* 1992, London: Merlin, 1992; as well as his *Power and Resistance in the New World Order*, London: Palgrave Macmillan, 2003.
- 26 Apart from Poulantzas's penetrating theoretical critique of the notion of a "transnational capitalist class" in the 1970s in his *Classes in Contemporary Capitalism*, and the strong empirical refutation in Winfried Ruigrok and Rob van Tulder, *The Logic of International Restructuring*, London: Routledge, 1995, see the more recent analysis by Geoffery G. Jones, which demonstrates how much, in the new millennium as before, "the influence of nationality on multinational corporations is still strong today. The composition of boards of directors remains heavily biased toward home-country nationals, despite the fact that equity ownership of large corporations is now widely dispersed among countries . . . Today, technological advances may permit different parts of the value chain to operate in different places, companies may hold portfolios of brands with different national heritages, and leaders, shareholders, and customers may be dispersed. Still, the nationality of a firm is rarely ambiguous. It usually has a major influence on corporate strategy, and it seems to be growing in political importance." "The Rise of Corporate Nationality," *Harvard Business Review*, October 2006, pp. 20–2. See this argument presented more fully in his "Nationality and Multinationals in Historical Perspective," Harvard Business School Working Paper, 06–052, 2005. It is especially useful to bear all this in mind when reading Leslie Sklair, *The Transnational Capitalist Class*, Oxford: Blackwell, 2001; William I. Robinson, *A Theory of Global Capitalism*, Baltimore: Johns Hopkins University Press, 2004; Jonathan Nitzan and Shimson Bichler, *Capital as Power*, New York: Routledge 2009; and William K. Carroll, *The Making of a Transnational Capitalist Class*, Zed Books, New York, 2010.
- 27 Bacevich, *American Empire*, p. 4.
- 28 John Lewis Gaddis, "The Tragedy of Cold War History," *Diplomatic History* 17: 1 (Winter 1993), pp. 3–4.
- 29 For instance, Kolko (despite having criticized the Open Door interpretation as it pertained to the beginning of the century) seemed to accept the plausibility of it at mid-century, especially by giving far too much weight in his *The Politics of War* (New York: Vintage Books, 1968) to Secretary of State Hull's free-trade pronouncements during World War II. It would once again have amounted to "transcendental false consciousness" to base policy on the notion that exports rather than domestic

- accumulation would save the US from another depression after the war. And Kolko was joined in this by many others who took it as a simple matter of fact that postwar policy was driven by the belief that “the US would have to be a major exporter in order to maintain full employment in the transition back to peacetime life.” Michael Hudson, *Super Imperialism: The Origins and Fundamentals of US World Dominance*, second edn., London: Pluto, 2003 [1972], p. 19.
- 30 Peter Gowan, “The American Campaign for Global Sovereignty,” *Socialist Register* 2003, London: Merlin, 2003, p. 5.
- 31 See David Harvey, *The New Imperialism*, New York: OUP, 2003, pp. 26–33.
- 32 Despite their contributions in detailing the extent of US foreign interventions and global military installations, many critics often fail to see the significance of this crucial point. See, for instance, Noam Chomsky, *Hegemony or Survival: America’s Quest for Global Dominance*, New York: Henry Holt, 2004; and Chalmers Johnson, *The Sorrows of Empire: Militarism, Secrecy and the End of the Republic*, New York: Metropolitan Books, 2004.
- 33 Amy Myers Jaffe, “United States and the Middle East: Policies and Dilemmas,” in Bipartisan Policy Center, *Ending the Energy Stalemate*, Washington, DC: National Commission on Energy Policy, 2004, pp. 1–2.
- 34 See Robert Keohane, *After Hegemony: Conflict and Discord in the World Political Economy*, Princeton: Princeton University Press, 1984.
- 35 Paul Volcker and Toyoo Gyohten, *Changing Fortunes: The World’s Money and the Threat to American Leadership*, New York: Times Books, 1992, pp. xiv–xv.
- 36 See Ernest Mandel, *Europe vs. America: Contradictions of Imperialism*, New York: Monthly Review Press, 1970; and *Late Capitalism*, London: Verso, 1975, esp. Chapter 10.
- 37 *Classes in Contemporary Capitalism*, p. 87. Poulantzas understood clearly what the series of successive European “withdrawals” on capital controls, monetary policy, and the oil crisis in the early 1970s meant: “These withdrawals are generally interpreted as an ‘offensive by American capital designed to restore its tottering hegemony’ . . . these people simply cannot see the wood for the trees; American capital has no need to re-establish its hegemony, for it has never lost it.” See also Otto Holman and Kees van der Pijl, “The capitalist class in the European Union,” in George A. Kourvetaris and Andreas Moschonas, eds., *The Impact of European Integration*, Westport, CT: Praeger, 1996, esp. pp. 58–63.
- 38 See Strange’s seminal essay, “Towards a Theory of Transnational Empire,” in Ernst-Otto Czempiel and James N. Rosenau, eds., *Global Changes and Theoretical Challenges*, Lexington: Lexington Books, 1989.
- 39 Peter Gowan, *The Global Gamble*, London: Verso, 1999, p. 19.
- 40 Charles P. Kindleberger, *International Money: A Collection of Essays*, London: Allen & Unwin, 1981, p. 103.
- 41 E. Richard Gold, “The Legal Foundations of the US Dollar: 1933–1934 and 1971–1978,” in David M. Andrews, ed., *Orderly Change: International Monetary Relations since Bretton Woods*, Ithaca: Cornell University Press, 2008, pp. 186–7.
- 42 As the New York Federal Reserve emphasized in its 1975 Report, whatever the “great

- difficulties in coordinating policies internationally . . . stability in exchange markets cannot be sought independently of stability in domestic economies.” Federal Reserve Bank of New York, 1975 Annual Report, p. 21.
- 43 See for instance Robert Gilpin, *The Political Economy of International Relations*, Princeton: Princeton University Press, 1987; and Paul Kennedy, *The Rise and Fall of the Great Powers*, New York: Random House, 1987.
- 44 See especially Robert Brenner, “The Economics of Global Turbulence”, *New Left Review*, 1/229 (May–June), 1998; and *The Boom and the Bubble: The US in the World Economy*, New York: Verso, 2002. See also Robert Pollin, *Contours of Descent: US Economic Failures and the Landscape of Austerity*, New York: Verso, 2003; and John Bellamy Foster and Fred Magdoff, *The Great Financial Crisis: Causes and Consequences*, New York: Monthly Review Press, 2009.
- 45 See Michel Albert, *Capitalism vs. Capitalism*, New York: Four Walls Eight Windows Press, 1993; Daniel Drache and Robert Boyer, eds., *States Against Markets: The Limits of Globalization*, London: Routledge, 1996; Paul Hirst and Graham Thompson, *Globalization in Question*, London: Polity, 1996; and Peter Hall and David Soskice, eds., *Varieties of Capitalism*, Oxford: OUP, 2001. For critical overviews see Panitch et al., *Globalization Decade*; and David Coates, ed., *Varieties of Capitalism, Varieties of Approaches*, London: Palgrave, 2005.
- 46 See Riccardo Bellofiore, Francesco Garibaldi, Joseph Halevi, “The Global Crisis and the Crisis of European Neomercantilism,” *Socialist Register 2011*, London: Merlin, 2010.
- 47 *World Development Report 1997: The State in a Changing World*, Washington, DC: World Bank, 1997.
- 48 Amy Bartholomew and Jennifer Breakspear, “Human Rights as Swords of Empire,” *Socialist Register 2004*. See also Amy Bartholomew, ed., *Empire’s Law: The American Imperial Project and the “War to Remake the World,”* London: Pluto, 2006.
- 49 Joshua Cooper Ramo, “The Three Marketeters,” *Time*, February 15, 1999.
- 50 Lawrence Summers, “Go With the Flow,” *Financial Times*, March 11, 1998.
- 51 Paul Volcker, speech at Toronto Board of Trade, October 2, 2002, published as “International Financial Markets: The Prospects for Growth and Stability” in Peter White and Michael Wilson, eds., *At the Global Crossroads: The Sylvia Ostry Foundation Lectures*, Montreal and Kingston: McGill–Queens University Press, 2003, pp. 85–98.
- 52 Michael Hunt, *The Making of the Special Relationship: The United States and China to 1914*, New York: Columbia University Press, 1983, esp. Chapter 5.
- 53 The notion that the US was in “terminal decline” as the center of capital accumulation shifted to East Asia was the central theme of Giovanni Arrighi’s *The Long Twentieth Century* (New York: Verso, 1994), and was taken up again in his *Adam Smith in Beijing: Lineages of the Twenty-First Century* (New York: Verso, 2007). See also Andre Gunder Frank, *ReORIENT: Global Economy in the Asian Age*, Berkeley and Los Angeles: University of California Press, 1998.
- 54 Insofar as overaccumulation can be said to have been a factor in generating the crisis, it needs to be very specifically located in the interface between the construction

industry and real-estate finance. See David Harvey, “The Urban Roots of Financial Crises: Reclaiming the City for Anti-Capitalist Struggle,” *Socialist Register 2012*, London: Merlin, 2011.