

Global Capitalism and American Empire

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'American imperialism... has been made plausible and attractive in part by the insistence that it is not imperialistic.'
Harold Innis, 1948¹

1. The American empire is no longer concealed. In March 1999 the cover of the Sunday *New York Times Magazine* displayed a giant clenched fist painted in the stars and stripes of the US flag above the words: 'What The World Needs Now: For globalization to work, America can't be afraid to act like the almighty superpower that it is'. Thus was featured Thomas Friedman's 'Manifesto for a Fast World', which urged the United States to embrace its role as enforcer of the capitalist global order: '...the hidden hand of the market will never work without a hidden fist.... The hidden fist that keeps the world safe for Silicon Valley's technologies is called the United States Army, Air Force, Navy and Marine Core.' Four years later, in January 2003, when there was no longer any point in pretending the fist was hidden, the words 'The American Empire: Get Used It' took up the whole cover of the *Magazine* to feature an essay by Michael Ignatieff: '...[W]hat word but 'empire describes the awesome thing that America is becoming? ...Being an imperial power... means enforcing such order as there is in the world and doing so in the American interest.'² Of course, even before it was taken up by the American newspaper of record, the American state's own geopolitical strategists had already taken this tack. Among those closest to the Democratic Party wing of the state under the Clinton Presidency, Zbigniew Brzezinski did not mince any words in his 1997 book, *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, in asserting that 'the three great imperatives of geo-political strategy are to prevent collusion and maintain security dependence amongst the vassals, to keep tributaries pliant, and to keep the barbarians from coming together.'³ In the same year, the Republican wing's intellectuals, who eventually would write the Bush White House's National Security Strategy, founded The Project for a New American Century with the goal of making imperial statecraft the explicit guiding principle of American policy.⁴

2. Most of what passes for serious analysis in justifying the use of the term 'American empire' is what might be called theory by analogy, implicitly or explicitly harkening back to imperial Rome.⁵ But analogy, of course, does not constitute theory. The neglect of any serious political economy or pattern of historical determination that would explain the emergence and reproduction of today's American empire, and the absence of the dimensions of structural oppression and exploitation pertaining to it, serve as poignant reminders of why it was Marxism that made the running in theorizing imperialism for most

of the 20th century. Saying this, however, immediately raises anew the question a leading Indian Marxist posed to the left a decade ago. Prabhat Patnaik's 1990 essay 'Whatever Happened to Imperialism?' lamented that 'Marxists look bemused when the term is mentioned' and that 'the topic has virtually disappeared from the pages of Marxist journals.' The costs of this were severe for the left. The concept of imperialism has always been especially important for the left as much for its emotive and mobilizing qualities as for its analytic ones. Indeed, in Patnaik's view, the silence over imperialism had little to do with the analysis itself; rather than 'a theoretically self-conscious silence', it was the 'very fact that imperialism has become so adept at "managing" potential challenges to its hegemony [that] made us indifferent to its ubiquitous presence.'⁶ Yet the left's silence on imperialism did also reflect severe analytic problems in the old Marxist theory of imperialism. As Giovanni Arrighi had argued in 1978: '[B]y 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.'⁷ What in good part lay behind the left's disenchantment with the concept of imperialism was the extent to which 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.'⁸

3. The confusion was apparent in debates in the early 1970s — the last time the concept had much currency on the left - over the location of contemporary capitalism's contradictions. There were those who focused almost exclusively on the 'third world', and made its resistance to imperialism bear all the weight as the source of transformation.⁹ Others emphasized increasing contradictions within the developed capitalist world, fostering the impression that American 'hegemony' was in decline. This became the prevalent view, and the notion that 'the erosion of American economic, political, and military power is unmistakable' grew into a commonplace by the mid-1980s.¹⁰ Even so, it was notable that very few went back to the old Marxist theory of inter-imperial rivalry in this context, since despite increased economic competition from Japan and Germany, it was recognized that 'things are a long way from a military trial of strength', as Glyn and Sutcliffe put it. All it was 'safe to predict' was that without a hegemonic power 'the world economy will continue without a clear leader...'¹¹ Meanwhile, the widespread notion that the power of the nation state had withered away in the era of globalization added to the confusion. Against this, there were very few who had the temerity by the mid-1990s to say, as did Peter Gowan in concluding his analysis of the West's imposition of neoliberal shock therapy in Eastern Europe: '...this does not so much suggest a new era on the globe as something rather old—fashioned which, in the days of Communism, used to be called imperialism.'¹²

4. There was indeed no little irony in the fact that so many on the left continued to turn away from what they thought was an old-fashioned notion, just while the ground was being laid for its current renewed fashionability in the *New York Times*. At the end of the 1980s, Susan Strange, in a little-noticed academic essay, stood almost alone in pointing 'Towards a Theory of Transnational Empire' with Washington D.C. at its centre. Yet the understanding of 'American structural power' she called for was not only cast in non-Marxist analytic terms but was explicitly oriented to breaking 'with the presumption of

most writers on imperialism that imperialism is undesirable', and to advancing the goal of making the American state live up to its responsibilities as a global empire.¹³ To be sure, soon after the turn of the century, with the American state's own avowal of its imperial role, the term was back on every leftist's lips. The popularity of Hardt and Negri's tome, *Empire*, reflected the new conjuncture. Their post-modernist Marxist case that historical materialism needed to be revived on the basis of an entirely different theory of imperialism than the old one was by no means un insightful, but their bizarre insistence that '*the United States does not, and indeed no nation state can today, form the center of an imperialist project*' soon turned out to itself be out sync with the times.¹⁴ For what is above all needed now is a new historical materialist theorization of imperialism that precisely allows us to transcend the old theory of inter-imperial rivalry by understanding how it came to pass that the American empire incorporated its capitalist rivals, and how this was related to the establishment of a truly global capitalism. Central to this project must be the questions of wherein the plausibility of the American state's insistence that it was not imperialistic historically derived, and how this was put into practice and institutionalized. And no less central, in the current conjuncture, must be the questions of under what conditions the American state's insistence that it is not imperialistic become implausible, and indeed jettisoned, and what implications this has for its no longer being attractive.

5. There is a structural logic to capitalism that tends to its globalization. This was famously captured in Marx's description in the Communist Manifesto of a future that stunningly matches our present: 'The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere. . . it creates a world after its own image.' But affirming Marx's prescience in this respect runs the risk of treating what we now call globalization and its specific forms as inevitable and irreversible. It must be remembered that Marx's words also seemed to apply at the end of the 19th century, when, as Karl Polanyi noted, '[o]nly a madman would have doubted that the international economic system was the axis of the material existence of the human race'.¹⁵ Yet, as Polanyi was concerned to explain, far from continuing uninterrupted, there were already indications that the existing system of global accumulation was in the early stages of its dissolution, and soon thereafter it in fact collapsed by way of events intimately related to its own dynamic — two horrific world wars and the implosion of the Great Depression.

6. The postwar reconstruction of the capitalist world order was a direct response on the part of the leading capitalist states to that earlier failure of globalization. Through the Bretton Woods infrastructure for a new liberal trading order established under the aegis of the American state in 1945, the structural logic of capitalist globalization was once again unleashed. During the brief post-war 'golden age' — through the acceleration of trade, the new degree of direct foreign investment, and the growing internationalization of finance — capitalist globalization was revived. But it was only fully realized through the neoliberal response to the economic crisis of the 1970s. The outcome of this crisis showed that the particular role of structural crises in the process of international accumulation is not predictable *a priori*. Of the three great structural crises of capitalism, the first (post-1870s) accelerated inter-imperialist rivalry and led to World War One and revolution, while the second crisis (the Great Depression) actually reversed capitalism's internationalizing trajectory. Yet the crisis of the early 1970's, in contrast with these earlier outcomes,

resulted in a *deepening and acceleration* of capitalist globalization for the rest of the century.

7. What this meandering path from 19th to 21st century globalization suggests is that a sustainable international capitalist order is neither inevitable (as was conventionally assumed in the latter nineteenth century as well as today) nor impossible to sustain (as Lenin and Polanyi, in their different ways, contended). The point is that we need to distinguish between the structural logic of capitalism and its actual history. A global capitalist order is always a contingent social construct: the actual development and continuity of such an order must be problematized. A historical materialist understanding of modern imperialism must escape, first of all, from the tendency within Marxism, as in much bourgeois theory, to write theory in the present tense. We must not theorize history in such a way that the trajectory of capitalism is merely read out of abstract economic laws, leading to the true but trite observation that ‘globalization is not a new process.’ Rather, as Philip McMichael has put it so well, we need to ‘*historicize theory* and problematize globalization as a relation immanent in capitalism, but with quite distinct material (social, political and environmental) relations across time and time-space. In this formulation globalization assumes specific *historical* forms... 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.’¹⁶

8. The realization - or frustration - of capitalism’s globalizing tendencies cannot be understood apart from the states that have historically constituted the capitalist world. Whether one sides with those who stress the role of European absolutist monarchs, merchants and conquistadores in the origins of capitalism, or with those who insist on locating its roots in the emergent property relations within one or more corners of Europe itself, the rise of capitalism is inconceivable without the role that states came to play in establishing the legal and infrastructural frameworks for property, contract, currency, competition and wage-labour that constitute a capitalist market and social order. By the mid to late 19th century, when capital expanded beyond the borders of the nation-states that had been constituted in Europe, it either was hosted in the capitalist orders that had been (or were then just becoming) established by those other states or expanded within a framework of formal or informal empire that met these conditions. But more than this was needed to sustain capital’s tendency to global expansion. The inability at the time to develop adequate means of global capitalist regulation left the international economy and its patterns of accumulation fragmented, thereby fueling the inter-imperial rivalry that led to World War One.

9. The classical theories of imperialism developed at the time, from Hobson to Lenin, were founded on a theorization of capitalist crises. This was a fundamental mistake, which has, ever since, continued to plague proper understanding.¹⁷ The classical theories were defective in their treatment of the dynamics of capital accumulation, and in their elevation of a conjunctural moment of inter-imperial rivalry to an immutable law of capitalist globalization. There is, to begin with, no need for a theory of crisis to explain capitalism’s expansionist tendencies taking imperial form. In the late 19th and early 20th centuries, the very same competitive pressures and strategies, the same opportunities and emerging capacities that led individual units of capital to move beyond the local, pushed and facilitated their proclivity for crossing borders. If capital looked to foreign markets or to the

export of capital, it was not so much the result of overaccumulation and underconsumption, but the result of the normal functioning of capitalism as a mode of production. The classical early 20th theorists of imperialism were not only wrong in overstating the scale of the export of goods and capital to the third world — the latter's very underdevelopment limited this — but they were especially unable to appreciate key developments in the leading capitalist countries. Rather than an exhaustion of consumption possibilities within the leading capitalist countries, capitalism was then characterized by emergent working class formations able to achieve increasing levels of private and public consumption. Rather than the concentration of capital ('finance capital' or 'monopoly capital') limiting the introduction of new products and investment opportunities, the very unevenness of on-going competition and technological development was introducing new prospects for internal accumulation (i.e. the deepening of capital at home, not only its spreading abroad). Far from being the highest stage of capitalism, what these theorists were observing was (as is now obvious) a relatively *early* stage of capitalism. This was so not just in terms of consumption patterns, financial flows and competition, but in terms of the limited degree of direct foreign investment at the time and the only rudimentary means developed for managing contradictions associated with capitalism's internationalization to this point. Unfortunately, many Marxists continued to use the same kind of theory of crisis to understand every manifestation of imperialism over the subsequent century.

10. It was, however, in their reductionist and instrumental treatment of the state that these theorists were especially defective. *Capitalist imperialism needs to be theorized as an extension of the theory of the capitalist state, not of the theory of crisis.* Here too we need to begin by historicizing theory, beginning by breaking with the conventional notion that the emergence of the modern imperialist state coincided with the stage of industrial concentration and financialization associated with turn-of-the-century 'finance capital'. In fact, the transition to the modern form of imperialism may be located in the British state's articulation of its old mercantile formal empire with the informal empire it spawned during in the mid-19th century during the era of 'free trade'. Not only Schumpeter's theory of imperialism (postulating that it reflected the atavistic presence within capitalism of pre-capitalist exploiting and warrior classes), but also Kautsky and Lenin's misconception that the mid-19th century British industrial capital and its policy of free trade reflected a 'pure' capitalism that was antithetical or at least 'indifferent' to imperial expansion derived from a simplistic understanding of the separation of the economic from the political under capitalism. This misconception lay at the root of the notion that the succession of the era of free competition by that of finance capital had once and for all superceded that separation, leading to imperialist expansion, rivalry and war among the leading capitalist states.

11. The same confusing counterposition between states and 'free markets' attending contemporary discussions of globalization in the context of neoliberal 'free market' policies that have succeeded Keynesian modes of state intervention also marked the classical accounts of the 19th century era of free trade and its succession by the era of inter-imperial rivalry. In both cases there is a failure to appreciate the crucial role of the state not only intervening against 'free markets', but no less in making 'free markets' happen and work. Just as the emergence of so-called 'laissez faire' under mid-19th century industrial capitalism involved a highly active state to effect the

formal separation of the polity and economy and to define, discipline and police the domestic social relations of a fully capitalist order, so did the external policy of free trade entail an extension of the imperial role of the state along all of these dimensions. 12. As Gallagher and Robinson showed 50 years ago in a seminal essay entitled 'The Imperialism of Free Trade', the conventional notion that British free trade and imperialism did not mix was belied not only by occupations and annexations, the addition of new colonies, and especially the importance of India to the Empire, between the 1840s and the 1870s. It was belied even more by the immense extension, for both economic and strategic reasons, of Britain's 'informal empire' via foreign investment, bilateral trade and 'friendship' treaties, and gunboat diplomacy, so that 'mercantilist techniques of formal empire were being employed in the mid-Victorian age at the same time as informal techniques of free trade were being used in Latin America. It is for this reason that attempts to make phases of imperialism correspond directly to phases in the economic growth of the metropolitan economy are likely to prove in vain...'¹⁸ Gallagher and Robinson's definition of imperialism was cast in terms of a *variable political function* 'of integrating new regions into the expanding economy; its character is largely decided by the various and changing relationships between the political and economic elements of expansion in any particular region and time.' On this basis, they called for 're-fashioning the interpretations resulting from defective concepts of organic constitutional empire on the one hand and Hobsonian "imperialism" on the other', so that the limits both of 'the old, legalistic narrow idea of empire' and of informal empire as 'separate, non-political category of expansion' could be transcended.

13. In other words, it is the politics as well as the economics of the informal empire which we have to include in the account... The type of political lien between the expanding economy and its formal and informal dependencies... has 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.¹⁹

14. This is not to say that there are not important differences between informal and formal empire. Informal empire requires that economic and cultural penetration of other states be sustained by political and military coordination with formally independent governments. The main factor that determined the shift after the 1880s to the extension of formal empires was not the inadequacy of Britain's relationship with its own informal empire, nor the emergence of 'finance capital' per se, but rather Britain's inability to incorporate the new emerging capitalist powers of Germany, the USA and Japan within the rubric of its free trade imperialism. Various factors determined this, including the limited capacities of the British state, pre-capitalist social forces that did indeed remain important in some of the newly emerging capitalist powers, nationalist sentiments that accompanied the development of capitalist nation-states, strategic considerations arising out of geo-political and military rivalries, as well as the increasing organization of trade competition via

modes of tariff-regulation (that served as the main tax base of these states as well as protective devices for nascent industrial bourgeoisies and working classes). In this context, the institutional apparatuses of diplomacy and alliances, British naval supremacy and the Gold Standard were too thin and fragile to even guarantee equal treatment of foreign capital with national capital within each state (the key prerequisite of capitalist globalization), let alone to mediate the conflicts and manage the contradictions associated with the development of global capitalism by the late 19th century.

15. Kautsky was right to perceive, however, that even if inter-imperial rivalry had led to war between the major capitalist powers at a particular moment in history, this was not an inevitable characteristic of capitalist globalization. Having set out from a position in 1898 quite similar to that later elaborated by Schumpeter, by 1914 Kautsky had accepted, via Hilferding's *Finance Capital*, that 'a brutal and violent' form of imperialist competition was 'a product of highly developed industrial capitalism.'²⁰ What so incensed Lenin was his view that all the major capitalist ruling classes, after 'having learned the lesson of the world war', might eventually come to revive capitalist globalization through a collaborative 'ultra-imperialism' in the face of the increasing strength of an industrial proletariat that nevertheless still fell short of the capacity to effect a socialist transformation. Had he put greater stress on his earlier perception in 1911 that 'the United States is the country that shows us our social future in capitalism',²¹ and discerned the capacity of the newly emerging informal American empire for penetrating and coordinating the other leading the capitalist powers, he would have been closer to the mark. But it could hardly be yet clearly foreseen that, as a biographer of Dean Acheson later aptly put it, 'only the US had the power to grab hold of history and make it conform.'²²

16. The central place the American state has come to play in global capitalism rests on a particular convergence of structure and history. In the abstract, we can identify specific institutions as reflecting the structural power of capitalism. But what needs to be explained is what blocks such institutions from emerging and what, if anything, opens the door to their development. The crucial phase in the reconstruction of global capitalism - after the earlier breakdowns and before the reconstitution that characterized the last quarter of the twentieth century — came during and after World War Two. It was only after (and as a state-learned response to) the disasters of Depression and the War that the conditions came to exist that allowed for the realization of an American imperial project of putting capitalist globalization back on track. This depended, however, on the emergence and uneven historical evolution of a unique institution acting as *agency*: the American imperial state. This was not a matter of teleology but of capitalist history.

17. The role the US state came to play in this respect was not inevitable but nor was it merely accidental. The capacity it developed to 'conjugate' its '*particular* power with the *general* task of coordination' in a manner that reflected 'the particular matrix of its own social history', as Perry Anderson has recently put it, was founded on 'the attractive power of US models of production and culture... increasingly unified in the sphere of consumption [that came] to offer a single way of life.' Coming together here were the invention in America of the modern corporate form, 'scientific management' of the labour process, and assembly-line mass production on the one hand, and, on the other, Hollywood-

style media forms of ‘narrative and visual schemas stripped to their most abstract’ appropriate to appealing to and aggregating waves of immigrants through the ‘recursive common denominators... of dramatic simplification and repetition’.²³ The dynamism of American capitalism and its world-wide appeal combined with the universalistic language of American liberal democratic ideology to underpin a capacity for informal empire far beyond that of the 19th century British state.

18. Yet it was not only the economic and cultural infrastructure of American capitalism, but also the American state’s own construction that facilitated informal empire. Against Anderson’s impression that the American state’s constitutional structures lacked the ‘carrying power’ of its economic and cultural ones (by virtue of being ‘moored to eighteenth century arrangements’) stands Thomas Jefferson’s observation in 1809 that ‘no constitution was ever before as well-calculated for extensive empire and self-government.’²⁴ Hardt and Negri were right to trace the pre-figuration of what they call ‘Empire’ today back to the American’s constitution’s incorporation of Madisonian ‘network power’. This entailed not only checks and balances within the state apparatus but the notion that the greater plurality of interests incorporated within an extensive and expansive state would guarantee that the masses would have no common motive or capacity to come together to check the ruling class. Yet far from serving as the basis for the sort of decentred and amorphous power that Hardt and Negri imagine characterizes the USA historically (and ‘Empire’ today), the constitutional framework of the new American state gave great powers to the central government to expand trade and make war. As early as 1783, what George Washington already spoke of ambitiously as ‘a rising empire’ was captured in the Federalist Paper XI image of ‘one great American system, superior in the control of all transatlantic force or influence, and able to dictate the terms of connection between the new and old world.’²⁵

19. The state which emerged out of the alliance between Northern merchants and commercial farmers and Southern plantation-owners against Britain’s formal empire evinced from its beginnings a trajectory to informal empire. Despite the initial form this took through territorial expansion westward, largely through extermination of the native population, and despite blatant exploitation not only of the black slave population but also debt-ridden subsistence farmers, the fact that new state could conceive itself as extending republican liberty, and be widely admired for it, was largely bound up with the link between ‘extended empire and self-government’ that Jefferson discerned as embedded in the federal constitution of the American state. State rights were no mirage: they reflected the two different types of social relations — slave and free - that composed each successive wave of new states. This mode of territorial expansion not only determined the shape of the conflict that finally led to civil war, the defeat of the plantocracy and the dissolution of slavery, but thereafter was the basis for the domination of an unfettered industrial capitalism with ‘the crucial advantage of possessing the largest single domestic market in the world’, thereby obviating any temptation towards formal imperialism via territorial conquest abroad.²⁶ The very exceptionalism of this state, capable of combining extended internal empire with self-government through the course of the 19th century, provided, as Anderson affirms,

20. ‘the virtually perfect fit... between optimal geographical and optimal social conditions for capitalist development. That is: a continental scale of territory, resources and market,

protected by two oceans, that no other nation-state comes near to possessing; and a settler-immigrant population with virtually no pre-capitalist past, apart from its local inhabitants, slaves and religious creeds, and bound only by the abstractions of a democratic ideology. Here are to be found all the requirements for spectacular economic growth, military power and cultural penetration.²⁷

21. None of this could be abstracted from the specific evolution of the American state, especially as the outcome of the Civil War allowed for a full reconstitution of the relationship between both financial and industrial capital and the state so that its political function could be inclined away from mercantilism towards extended capitalist reproduction. Herein lies the significance that Anderson himself attaches to the evolving juridical form of the American state, whereby ‘unencumbered property rights, untrammelled litigation, the invention of the corporation’ led to ‘what Polanyi most feared, a juridical system disembedding the market as far as possible from ties of custom, tradition or solidarity, whose very abstraction from them later proved - American firms like American firms — exportable and reproducible across the world, in a way that no other competitor could quite match. The steady transformation of international merchant law and arbitration in conformity with US standards is witness to the process.’²⁸

22. The expansionist tendencies of American capitalism in the latter half of the 19th century (reflecting pressures that emanated as much from domestic commercial farmers as from the industrialists and financiers of the post-civil war era) were even more inclined to take informal imperial forms, even without a policy of free trade, than had British capitalism. But the modalities were similar, and they began long before the Spanish-American War of 1898, which is usually dated as the start of American external imperial expansion. This was amply documented in a paper boldly called ‘An Indicator of Informal Empire’ prepared for the Center of Naval Analysis: the US Navy made no less than 5,980 ports of call to protect American commercial shipping in Argentina, Brazil Chile, Nicaragua, Panama, Columbia and elsewhere in Latin America between 1869 and 1897.²⁹ But it was through American foreign investment (epitomized by the Singer Company establishing itself as the first multinational corporation by jumping the Canadian tariff barrier to establish a subsidiary to produce and sell sewing machines to prosperous Ontario wheat farmers) that the American informal empire now took shape.³⁰ As compared to the Canadian model of integration into the informal American imperium, the establishment of colonies in Puerto Rico and the Phillipines and the annexation of Hawaii ‘was a deviation ... from the typical economic, political and ideological forms of domination already characteristic of American imperialism.’³¹

23. The broader ideological articulation of American military intervention, as famously expressed in 1904 by Teddy Roosevelt, presented itself in terms of the exercise of ‘international police power’, in the absence of other means of international control, to the end of establishing regimes that know ‘how to act with reasonable efficiency and decency in social and political matters’ and to ensure each such regime ‘keeps order and pays its obligations’: “[A] nation desirous both of securing respect for itself and of doing good to others [Roosevelt declared, in words that have now been made very familiar again] must have a force adequate for the work which it feels is allotted to it as its part of the general world duty... A great free people owes to itself and to all mankind not to sink into helplessness before the powers of evil.’³² The American state’s genius for presenting its

informal empire in terms of the framework of universal rights reached its apogee under Woodrow Wilson. It also reached, with his Presidency, the apogee of hypocrisy, especially at the Paris Peace Conference, where Keynes concluded Wilson was ‘the greatest fraud on earth’.³³ Indeed, it was not only Congress’s isolationist tendencies, but the incapacity of the American Treasury and Presidency to take responsibility for leading European reconstruction after World War One that determined Keynes’s judgment.

24. It was only during the course of the New Deal, amidst a collapse of global capitalism to which the American state’s previous imperial policies had no little contributed, that the administrative and ideological capacity was developed to transform and vastly extend America’s informal imperialism. But for the American state to assume explicit responsibility for the relaunching of capitalist globalization, also crucially important was the pattern of wartime statebuilding — during the course of which ‘the leverage of corporate executives from industry and finance’ inside the state operated to shift ‘U.S. state capacities towards realizing internationally-interventionist goals versus domestically-interventionist ones’.³⁴ And, as we shall see, it was the subsequent evolution of the American state through the crisis of the 1970s that eventually made global capitalism a reality.

25. The relationship between capitalism and imperialism took on new shape after World War Two. The American state’s interaction with the dynamics of production and finance allowed for the penetration of other states at a time when the revival of capitalism’s globalizing tendencies took place through the reconstruction of the states at the core of the old inter-imperial rivalry alongside (and indeed leading to) the multiplication of new states. Among the various dimensions of this new relationship between capitalism and imperialism, the most striking and important 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 came to run between the U.S. and the other rich capitalist states. What Britain’s informal empire has been unable to in the 19th century now was accomplished by the American, integrating all the other capitalist powers into an effective system of coordination under its aegis. The devastation of the European and Japanese economies, the weak political legitimacy of their ruling classes at the war’s end, the U.S. military occupation and subsequent subordination of its important rival capitalist centers - all this created a historically unprecedented opportunity which the American state was now ready and willing to exploit.

26. Most important here was the immense attention the Treasury and State department paid during the war to planning for relaunching a coordinated liberal trading regime and a rule-based financial order via manipulating its main allies’ debtor status, the complete domination of the dollar as world currency and the fact the 50% of world production was now accounted for by the U.S. economy. The American state had studied and learned well from the lesson of its post-World War One incapacity to combine liberal internationalist rhetoric with an actual institutional commitment to manage an international capitalist order outside its own hemisphere. Through the very intricate joint planning by the British and American Treasuries during the war — i.e. through the very process of making Bretton Woods happen — the latter made it explicitly clear that the former not only ‘were accepting some obligation to modify their domestic policy in light of its international effects on stability’, but were ensuring the liquidation of the British Empire by ‘throwing Britain into

the arms of America as a supplicant, and therefore subordinate; a subordination masked by the illusion of a “special relationship” which continues to this day’.³⁵

27. But it was by no means only the cache of dollars at its disposal that was operative here, nor was Britain the only object of America’s new informal empire. The Bretton Woods conference confirmed as nothing else had yet done the immense managerial capacity the American state had developed. The Commission responsible for establishing the IMF was chaired and tightly controlled by Harry Dexter White for the American Treasury, but even under Keynes’s Chairmanship of the Commission responsible for planning what eventually became the World Bank, and with the various committees under him also chaired by non-Americans, ‘they had American rapporteurs and secretaries, appointed and briefed by White’ who arranged for ‘a conference journal to be produced every day to keep everyone informed of the main decisions. He also arranged daily press briefings, at which he displayed great charm.’ At his disposal were ‘the mass of stenographers working day and night [and] the boy scouts acting as pages and distributors of papers’ — all written in a ‘legal language which made everything difficult to understand [amidst] the great variety of unintelligible tongues’. This was the ‘controlled Bedlam’ the American Treasury ‘wanted [to] make easier the imposition of a *fait accompli*.’ It was in this context that every delegation finally decided ‘it was better to run with the US Treasury than its disgruntled critics, “who” [as Keynes put it] “do not know their own mind and have no power whatever to implement their promises.”’ The Bretton Woods conference ended with Keynes’s tribute to a process in which 44 countries ‘had been learning to work together so that “the brotherhood of man will become more than a phrase.” The delegates applauded wildly. “The Star Spangled Banner” was played’.³⁶

28. With the IMF and World Bank headquarters established at American insistence in Washington, D.C., a pattern was set for international economic management among all the leading capitalist countries that also continues to this day, one in which even when it is European or Japanese finance ministries and central banks who propose, it the US Treasury and Federal Reserve that dispose. The dense institutional linkages that bound these states to the American empire were institutionalized, of course, not only through the institutions of Bretton Woods, but also those of Nato, not to mention the hub-and-spokes networks binding each of the other leading capitalist states to the intelligence and security apparatuses of the U.S. as part of the strategy of containment of Communism during the Cold War. However, most of those who stress the American state’s linkages with the coercive apparatuses of Europe and Japan, as conceived for instance in terms of what Martin Shaw calls the ‘Western Bloc State’ (tending to become a ‘Global Western State’ with the collapse of the USSR)³⁷, fail to appreciate how far the American ‘Protectorate System’, as Peter Gowan names it, actually ‘altered the character of the capitalist core.’ For it entailed, as he puts it, the ‘internal transformation of social relations within the protectorates in the direction of the American “fordist” system of accumulation [that] opened up the possibility of a vast extension of their *internal markets*, with the working class not only as source of expanded surplus value but also an increasingly important consumption centre for *realizing* surplus value.’³⁸

29. But while permitting the other core states to act as ‘autonomous organizing centres of capital accumulation’, the emulation of US technological and managerial ‘fordist’ forms (initially organized and channeled through the post-war joint ‘productivity councils’) was

massively reinforced by the penetration of these states by American foreign direct investment. Here too, the core of the American imperial network shifted away from north-south linkages towards the advanced capitalist core, so much so that Latin America's share of total American FDI fell from 40 to 20 percent between 1950 and 1970, while Western Europe's more than doubled to match the Canadian share of 30 percent. It was hardly surprising in this context that sober students of the American informal empire from both Weberian and Marxist perspectives such as Raymond Aron and Nicos Poulantzas saw in Europe a tendential 'Canadianization', bespeaking the 'limited but exemplary instance of the relationship between the U.S.A. and Canada' as the model form of integration into that empire.³⁹ None of this meant of course that the old north-south dimension of imperialism became unimportant. But it did mean, as with Canada's place of privilege as a white and rich dependency, first in the British and then in the American empire, that the other core capitalist countries' relationships with the third world, including with their growing number of ex-colonies, were imbricated with American informal imperial rule.

30. This rule, not only in the advanced capitalist world but also in those regions of the third world where it held sway, was characterized by the penetration of borders, not the dissolution of them. It was not through the territorial expansion of formal empire, but rather through the reconstitution of states as cohesive and integral elements of an informal American empire that global capitalist order was organized and regulated. Nation states remained the primary vehicles through which (a) the social relations and institutions of class, property, currency, contract and markets were established and reproduced; and (b) the international accumulation of capital was carried out. The vast expansion of direct foreign investment worldwide, whatever the shifting regional shares of the total, far from meaning that capital escaped the state, expanded its dependence on *many* states. At the same time, capital as an effective social force within any given state now included both foreign capital and domestic capital with international linkages and ambitions. Their interpenetration made the notion of a distinct national bourgeoisie (at least outside of the American social formation) largely an anachronism.

31. A further dimension of the new relationship between capitalism and empire was that the actual historical evolution of globalization in this context entailed not 'the constitution of a supra-national state or super-state... [as if] what was involved was internationalization within a framework of externally juxtaposed states and capitals', but rather the *internationalization of the state*.⁴⁰ This needs to be specifically understood in terms of any given state's degree of internalization of the responsibility to manage its domestic capitalist order in way that contributes to managing global capitalist order. For the American imperial state, however, the internationalization of the state had a special quality. It entailed defining the American national interest in terms of acting not only on behalf of its own capitalist class but also on behalf of the extension and reproduction of global capitalism. The determination of what this required continued to reflect the particularity of the American state and social formation, but it was increasingly inflected towards President Truman's declaration in 1947 that 'the American system could survive in America only if it becomes a world system.'⁴¹ This was encapsulated in the National Security Council document NSC-68 of 1950 which defined the goal of constructing a 'world environment in which the American system can survive and flourish... Even if there were no Soviet Union we would

face the great problem... [that] the absence of order among nations is becoming less and less tolerable.'⁴²

32. Yet the new integral relationship that developed between American empire and global capitalism could not be reduced to a one-way (let alone solely coercive) imposition. The relationship was often more properly characterized by the phrase 'imperialism by invitation'. But while this often meant the active consent of the citizenry of a country, the notion of US *state* (as opposed to cultural or economic) hegemony only adequately captured the relationship that developed among states and ruling classes. Active mass consent to even informal imperial rule was always mediated by the legitimacy that each state integrated within the American imperium could retain for itself and muster for any particular American state project; just as the American state itself did not take as its own responsibility the incorporation of the needs of the subordinate classes of other states within its own construction of informal imperial rule. This dimension of the new imperial order, as we shall see later, is proving to have particularly important consequences in the current conjuncture.

33. This pattern of imperial rule was founded in the post-war period of reconstruction, a period that, for all of the economic dynamism of 'the golden age' was inherently transitional. The very notion of 'reconstruction' posed the question of what might follow once the European and Japanese economies were rebuilt and became competitive with the American, and the benign circumstances of the post-war years — so central to one of the most impressive periods of growth in world history - were exhausted.⁴³ Moreover, rising economic nationalism in the third world (in the wake of the decolonization from the old empires that the American state generally encouraged) and rising working class militancy in the core capitalist countries (under conditions of near full-employment) were bound to have an impact on capital's profits.

34. In less than a generation, the contradictions inherent in the Bretton Woods agreement were exposed. By the time European currencies became fully convertible in 1958, almost all the premises of the 1944 agreement were already in question. The stable exchange rates established by that agreement depended on the capital controls that all countries except for the U.S. maintained after the war. (The interwar collapse of the gold standard had demonstrated that capital mobility and democratic pressures from below, which limited any 'automatic' adjustment process, were incompatible with stable exchange rates.) Yet the very internationalization of trade and direct foreign investment that Bretton Woods promoted (along with domestic developments in mortgages, credit, competition, and innovation within the United States that strengthened the capacity of the financial sector) contributed to the restoration of a global financial market, the corresponding erosion of capital controls, and the vulnerability of fixed exchange rates.⁴⁴

35. Possibilities of a return to the international economic fragmentation and collapse of the interwar period were widely discussed in the early sixties as the American economy went from creditor to debtor status; the dollar moved from a currency in desperately short supply to one in surplus; and the gold standard behind the dollar, which had been embedded in Bretton Woods, crumbled.⁴⁵ Yet the past was not replayed. American dominance, never fundamentally challenged, would come to be reorganized on a new basis, and international integration was not rolled back but intensified. This reconstitution of the global order, like earlier developments within global capitalism, was not inevitable. What made it possible

—what provided the American state the time and political space to renew its global ambitions —was that by the time of the crisis of the early seventies, American ideological and material penetration/integration of Europe and Japan was sufficiently pervasive to foreclose any considerations of their retreating from the international economy or of posing, from within it, any fundamental challenge to the leadership role of the American state.

36. Beyond the United States having established itself as the military protectorate of Europe and Japan, and beyond the growing dependence of Europe and Japan on American markets, the crucial factor in cementing the new imperial bond was the growing centrality of American direct investment as the form taken by capital export and international integration. American corporations were evolving into the hubs of increasingly dense host-country and cross-border networks amongst suppliers, financiers, and final markets (the importance of free trade itself was greatly enhanced as part of securing the tighter international networks of production). Even where the initial response to the growth of such investment was hostile, this generally gave way to competition to attract that investment, and then emulation to meet ‘the American challenge’ through counter-investments in the United States.

37. Unlike trade, which involves cross-border exchanges, this penetration of the social formations of host countries directly affected domestic class structures and state formation.⁴⁶ Tensions and alliances that emerged within domestic capitalist classes could consequently no longer be understood in only ‘national’ terms. German auto companies, for example, joined with (if not followed) American auto companies in wanting European-wide markets; they shared mutual concerns with the American companies inside Germany over the cost of European steel; they had reason to be wary of policies that discriminated in favour of European companies but might, as a consequence, compromise the treatment of their own growing focus on markets and investments in the United States; and if instability in Latin America or other ‘trouble spots’ threatened their own international investments, they looked primarily to the American rather than their own government to defend their capital.

38. With American capital a social force within each European country and with national capital developing parallel ambitions to get within the American state, domestic capital tended, as Poulantzas understood, to be ‘disarticulated’ as a coherent and independent national force.⁴⁷ The class base domestic capital had for challenging American dominance —as opposed to renegotiating the terms of American leadership— was eroded. Though European and Japan as centers of accumulation had been rebuilt in the post-war period, the nature of their integration into the global economy tended to tie the successful reproduction of their own social formations to the rules and structures of the American-led global order. However much their states may have wanted a renegotiation of the arrangements struck in 1945, now that only 25% of world production was located in the U.S. proper (a percentage that by the end of the century would move back up to 30%) neither they nor their bourgeoisies were remotely interested in actually challenging the hegemony that the American informal empire did indeed establish over them. ‘The question for them’, as Poulantzas put it in the early seventies, ‘is rather to reorganize a hegemony that they still accept...what the battle is actually over is the share of the cake.’⁴⁸

39. It was in this context that the internationalization of the state became particularly important in the course of the protracted and often confused renegotiations in the 1970's of the terms that had bound Europe and Japan to the American empire at the end of World War Two. These negotiations showed that their nation states had come to accept a responsibility for creating the *internal* conditions for sustained *international* accumulation. The real tendencies at work out of the crisis of the 1970's were 'the internalized transformations of the national state itself, aimed at taking charge of the internationalization of public functions on capital's behalf'.⁴⁹ In this, nation states were not fading away, but adding to their responsibilities.

40. If, however, there were structural reasons to expect continuity in the trajectory of the post-war order, the specifics of how this would happen remained uncertain. The established structures did not, in themselves, provide a resolution to the generalized pressures on profit rates in the United States and Europe. They did not suggest how the U.S. might revive its economic base so as to consolidate its rule. Nor did they include an answer to how tensions and instabilities would be managed in a world in which the American state was not omnipotent but rather depended, for its rule, on working through other states. The contingent nature of the new order was evidenced by the fact that a 'solution' only emerged at the end of the seventies, two full decades after the first signs of trouble, almost a decade after the dollar crisis of the early seventies, and only after a sustained period of false starts, confusion, and uncertain experimentation.⁵⁰

41. The first and most crucial response of the Nixon administration, the dramatic end to the convertibility of the American dollar in 1971, restored the American state's economic autonomy in the face of a threatened rush to gold, and the subsequent devaluation of the American dollar did, at least temporarily, correct the American balance of payments deficit. Yet that response hardly qualified as a global solution to the larger issues involved. The American state took advantage of its threatened but still dominant position to unilaterally defend its own economic base, but in the process it neither provided leadership in terms of putting forth a universal solution to the problems facing all the developed capitalist economies, nor did it lay the basis for its *own* future dynamism.⁵¹ By the end of the seventies, with the American economy facing a flight of capital (both domestic and foreign), a Presidential report to Congress (describing itself as 'the most comprehensive and detailed analysis of the competitive position of the United States') confirmed a steep decline in competitiveness — one that it advised *could* be corrected, but not without a radical reorientation in economic policy to address the persistence of domestic inflation and the need for greater access to savings so as to accelerate investment.⁵²

42. The concern with maintaining and attracting capital was especially crucial to what followed. The developments that had already taken in terms of the opening up of domestic and global capital markets was both an opportunity and a limit for the American state. Liberalized finance held out the option of shifting an important aspect of competition to a terrain on which the American economy had its greatest advantages, yet those advantages could not become an effective instrument of American power until other economic and political changes had occurred. That ambivalence was reflected in the American state's policy responses since the sixties: capital controls were introduced in 1963, but were made open to significant 'exceptions'; the Euro-dollar market was a source of concern, but also recognized as making dollar holdings more attractive, and subsequently encouraging the

important recycling of petro dollars to the third world. The liberalization of finance enormously strengthened Wall Street through the 1970's and proved crucial to the broader changes that followed. This should not, however, be seen as coming at the expense of industrial capital. Rather, it was a (somewhat belated) recognition on the part of American capital generally that the strengthening of finance was an essential, if sometimes painful, cost of reconstituting American economic power.

43. The critical 'turning point' in policy orientation came in 1979 with the 'Volcker shock' — the American state's self-imposed structural adjustment program. The Federal Reserve's determination to establish internal economic discipline via allowing interest rates to rise to historically unprecedented levels brought the confidence the money markets and central bankers were looking for, and the restructuring of labour and industry which were considered crucial. Along with the more general neoliberal policies that evolved into a coherent alternative through the eighties, the state-reinforced new strength of finance set the stage for what came to be popularly known as 'globalization' —the acceleration of the drive to a seamless world of capital accumulation.

44. The mechanisms of neoliberalism may have been economic (the expansion and deepening of markets and competitive pressures) but the essence of neoliberalism was a *political* response to the democratic gains that had been previously achieved by subordinate classes and which had become, in a new context and from capital's perspective, barriers to accumulation. Neoliberalism involved not just reversing those gains, but weakening their institutional foundations — including within the state via a shift in the hierarchy of state apparatuses towards the Treasury and Federal Reserve at the expense of the old New Deal agencies. The U.S. was of course not the only country to introduce neoliberal policies, but once the American state itself moved in this direction, it had a new status: capitalism evolved to 'a new form of social rule' that promised, and largely delivered, (a) the revival of the productive base for American dominance; (b) a universal model for restoring the conditions for profits in other developed countries; and (c) the economic conditions for integrating global capitalism.⁵³

45. American labour was restructured to provide American capital with an even greater competitive flexibility vis-à-vis Europe. Inefficient firms were purged (a process that had been limited in the seventies). Existing firms restructured internally, outsourced to cheaper and more specialized suppliers, relocated to the increasingly urban south, and merged with others —all part of an accelerated reallocation of capital within the American economy. Global savings (and foreign investment) channeled through Wall Street made capital cheaper in America. This enhanced investment in the development of new technologies (which also benefiting from public investments in education and subsidies via the military). The available pools of venture capital were in turn integrated into management restructuring strategies and disseminated into sectors far beyond 'high tech'. The American economy not only reversed its slide in the early eighties, but also set the standards for European and Japanese capital to do the same.⁵⁴ That Europe and Japan lagged in following this direction strengthened the relative competitiveness of the U.S. in the short run. But in the longer term, this lag created a problem: the American state needed Germany and Japan to share the burden of global stimulus through their growth and acceptance of a higher level of global imports.

46. The renewed confidence on the part of American capital consolidated capitalism as a global project through the development of new formal and informal mechanisms of international coordination. Neoliberalism reinforced the material and ideological conditions for guaranteeing 'national' treatment for foreign capital in each social formation, and for 'constitutionalizing', by way of NAFTA, European Economic and Monetary Union and the WTO, the free flow of goods and capital (the WTO was a broader GATT, but one that had also been given teeth). The American economy's unique access to global savings through the power of Wall Street within global money markets allowed it to import freely without compromising other objectives. This eventually brought to the American state the role, not necessarily intended, of global macro manager - the 'importer of last resort' that limited the impact of slowdowns elsewhere, while also reinforcing foreign investors' and foreign exporters' dependence on American markets and state policies. The G-7 emerged as a forum for Ministers of Finance and Treasury officials to discuss global developments, forge consensus on issues and direction, and address in a concrete and controlled way any necessary exchange rate adjustments. The Federal Reserve, though allegedly concerned only with domestic policies, kept a steady eye on the international context. The BIS re-emerged, in the context of the greater role being played by increasingly 'independent' central bankers, to improve capital adequacy standards within banking systems. The IMF and the World Bank were also correspondingly restructured. The IMF shifted from the 'adjustment' of balance of payments problems to addressing structural economic crises in third world countries (along the lines first imposed on Britain in 1976), and increasingly became the vehicle for imposing a type of conditionality in exchange for loans that incorporated global capitalism's concerns. The World Bank supported this, although by the 1990's, making the case that states were necessary to the making of 'free markets', it focused its attention on capitalist state-building —what it called developing 'effective states'.⁵⁵

47. The reconstitution of the American empire in this remarkably successful fashion through the last decades of the 20th century has not meant that global capitalism had reached a new plateau of stability. Indeed it may be said that dynamic instability and contingency are systematically incorporated into the reconstituted form of empire, in good part because the excess competition characteristic of neoliberalism and the hyper-mobility of financial liberalization aggravate the uneven development and extreme volatility inherent in the functioning of this global order. Moreover, this instability is dramatically amplified by the fact that the American state can only rule this order through other states, and turning them all into 'effective' states for global capitalism is no easy matter. It is the attempt to address these problems by the American state, especially vis a vis what it calls 'rogue states in the 'third world', that leads American imperialism today to present itself in an increasingly unconcealed manner.

48. Those who would try to understand America's imperial posture today as having its roots in what they see as the unresolved economic crisis of the 1970s,⁵⁶ as expressed through over-accumulation, excess competition and increased rivalry among the advanced capitalist states, are repeating the same mistake as the classical theorists of imperialism. They fail to recognize that the constitution of the new imperial order, and the relaunching of the tendency to capitalist globalization, took place in the post-war golden age itself, and they underestimate both the dynamism of capitalism in the last quarter century, and the

capacity of the advanced capitalist states, by virtue of the density of the networks that link them together, to manage its instabilities. The end of the American boom of the 1990s, and the growing US trade and fiscal deficit are real problems, but there is as yet no reason think that this is leading to a crisis of the dollar that can't be managed. This is what lies behind the confidence of Andrew Crockett, general manager of the Bank for International Settlements and chairman of the Financial Stability Forum (comprising central bankers, finance ministry officials and market regulators from the G7 states) that 'they have the network of contacts, [and] the contingency plans, to deal with shock to the markets.'⁵⁷

49. To the extent that there is a problem, it lies not in over-accumulation leading to back to anything like interimperial economic rivalry, but in the limits that the American empire ruling through states poses to a strategy of coordinated neoliberal growth even among the advanced capitalist countries. In the liberal democratic states, the strength of domestic social forces - in spite of, and sometimes because of, the internationalization of domestic capital and the national state —have limited their incorporation of neoliberalism (e.g., the difficulties in introducing flexible labour markets in Germany or overcoming the inertia of the Japanese state in restructuring its banking system). This has frustrated the 'reforms' that are seen as necessary, along the lines of the American state's own earlier restructuring, to revive economic growth in these countries which would allow them to share the burden of the U.S. role as 'absorbing global imports and relieving pressure on the American trade deficit.

50. There is indeed is a systemic complexity in today's global capitalism that includes, even at its core, instabilities and even crises. This needs to be seen not so much in terms of structural crisis tendencies and their outcomes, but as everyday, normal dimensions of the system's functioning and, indeed, even of its successes. The issue for capitalist states is not preventing episodic crises —they will inevitably occur in this world order— but containing them. The American state has, to date, demonstrated a truly remarkable ability to limit the duration, depth, and contagion of crises. In itself this does not guarantee that it, along with the other core capitalist states with which it rules the international economic and financial institutions, always has the capacity to cope with all contingencies. We would, however, argue that the future development of such imperial state capacities cannot be foreclosed on the basis of any inherent *economic* contradictions alone.

51. The real problem for the American empire lies in its relations with the states outside the capitalist core. Where these are, as in much of the third world and the former Soviet bloc, relatively undeveloped capitalist states, yet increasingly located within the orbit of global capital, the international financial institutions as well as the American state directly have intervened to offset that weakness, imposing 'economically correct' responses. In the context of financial liberalization, this has spelt a steady stream of economic crises. Some of these could be seen as a functionally necessary part of neoliberalism's success (as may perhaps now be said of South Korea after the Asia crisis in 1997—8), but all too often, this intervention has aggravated rather than solved the problem because of the abstract universalism of the remedy. Whatever neoliberalism's claims for strengthening an already developed capitalist economy, it increasingly appears as a misguided strategy for capitalist development itself.

52. As for so-called 'rogue states' —those who are not within the orbit of global capitalism so that neither penetrating external economic forces nor international institutions can

presume to effectively restructure the state—direct unilateral intervention on the part of the American state has come to be increasingly tempting. It is this that has brought the term empire back into mainstream currency, and it is fraught with all kinds of unpredictable ramifications. The collapse of the Communist world that stood outside the sphere of American empire and global capitalism for so much of the post-war era has become particularly important in this context. The rapid penetration and integration of so much of what had been the Soviet bloc, and the opening of China to foreign capital and its integration in world markets even under the aegis of the Communist elite, has been remarkable. This also removed the threat that direct U.S. intervention in states outside the American hemisphere would lead to World War Three or nuclear Armageddon. The ability of the American state to secure international support in the first Gulf War and again in war on Yugoslavia over Kosovo, and indeed the fact that liberal human rights advocates and institutions through the 1990s called for the U.S. to act even more as an international police power, reflected the strength of the empire in the new conjuncture.

53. But both the hubris and sense of burden that came with such a unique role for the American state in the management and maintenance of a fully global order at the same time provided space for those within that state who questioned whether even the limited compromises the US had to make in operating through multilateral institutions were unnecessarily constraining its strategic options. The 'loneliness of power' was increasingly involved here as well. The felt burden of ultimate responsibility promotes the desire to retain full 'sovereignty' to act as needed. This was already seen in the economic sphere in the actions of the American Treasury under Rubin and Summers, especially their direct intervention in the East Asian crisis of 1997-98, where it dictated a harsh conditionality right in Japan's back yard.⁵⁸ And it was even more apparent in the actions taken reaction to 'rogue states' and international terrorist actions even under the Clinton administration.

54. Even though the UN did support the first Gulf War and oversaw the long regime of sanctions against Iraq that the American state insisted on through the 1990s, and even though Nato came in to play its allotted role in relation to Kosovo, other governments sensed a growing unilateralism on the part of the U.S. that made them increasingly nervous, if only in terms of maintaining their own states' legitimacy. The first Gulf War had shown that the majority of the world's states could be bribed and bullied into getting the United Nation to serve 'as an imprimatur for a policy that the United States wanted to follow and either persuaded or coerced everybody else to support,' as the Canadian ambassador to the UN put it at the time. But thus playing 'fast and loose with the provisions of the UN Charter' had costs in terms of unnerving 'a lot of developing countries, which were privately outraged by what was going on but felt utterly impotent to do anything—a demonstration of the enormous US power and influence when it is unleashed.'⁵⁹ Yet at the very same time, it also made American strategists aware just how little they could rely on the UN if they had to go such trouble to get their way. The United Nations, by its very nature as a quasi-parliamentary body made up of all the world's states, could not be as readily restructured as were the Bretton Woods institutions after the crisis of the 1970s. This, as evidenced in the repeated use of the American veto in the Security Council, was a constant irritant. And while Nato could be relied on as a far more reliable vehicle for the American intervention in Yugoslavia (with the added benefit of making clear to the Europeans exactly who the international police power would continue to be in their own

backyard), even here the effort entailed in having to keep each and every Nato member onside was visibly resented in the American state itself.

55. Bush's isolationist rhetoric in the 2000 election campaign, questioning the need for American troops to get involved in remote corners of the globe, was bound to be reformulated, once Bush was actually burdened with (and appropriately socialized in) the office of a presidency that is now as inevitably imperial as is it domestic in nature. For this, the explicitly imperial statecraft that the geopolitical strategists close to the Republican Party had already fashioned was ready and waiting. September 11th alone did not determine their ascendancy in the state, but it certainly enhanced their status, as the sheer dominance of American power led to its unsurprising response to that power being tweaked so ruthlessly. This response has revealed all the tensions in the American state's combination of its imperial function of general coordination while simultaneously reflecting its particular power. Defining the security interests of global capitalism in a way that also fits with the matrix of the American social formation and state becomes especially tricky once the particular security interests involved are so manifestly revealed as primarily American. This means that, while threats to the U.S. are still seen by it as an attack on all of global capitalism, the American state is increasingly impatient with making any compromises that get in the way of its acting on its own specific definition of the global capitalist interest and its untrammled use of its particular state power to cope with that threat.

56. The unconcealed imperial face that the American state is prepared to show to the world in this context above all pertains to the increasing difficulties of managing a truly global informal empire. This is turning out to be a challenge even greater than that faced by the lesser former formal empires with their colonial state apparatuses. The need to try to refashion all the states of the world so they become at least minimally adequate for the administration of global order—and this is now also seen as a general condition of the reproduction of the reproduction and extension of global capitalism—is now the central problem for the American state. But the immense difficulty of forging outside the core anything like the dense networks the new American imperialism distinguished itself by forging with the other leading capitalist states is clear from the only halting progress that has been made in extending the G7s functions even to that of the G20. For the geopolitical stratum of the American state, this shows the limits of any 'effective states' approach outside the core that primarily operates through economic linkages alone. This explains not only the extension of US bases and the integration of intelligence and police apparatuses in the wake of September 11th, but the harkening back to the founding moment of the new American empire in the military occupations of Japan and Germany as providing the key to ensuring Iraq's adequate reconstruction within the framework of American empire. The logic of this posture points well beyond Iraq to all states 'disconnected from globalization', as a U.S. Naval War college professor advising the Secretary of Defense has put it:

57. Show me where globalization is thick with network connectivity, financial transactions, liberal media flows, and collective security, and I will show you regions featuring stable governments, rising standards of living, and more deaths by suicide than murder. These parts of the world I call the Functioning Core... But show me where globalization is thinning or just plain absent, and will show you regions plagued by politically repressive regimes, widespread poverty and disease, routine mass murder, and - most important—the chronic conflicts that incubate the next generation of global terrorists. These parts of the

world I call the non-integrating Gap... The real reason I support a war like this is that the resulting long-term military commitment will finally force America to deal with the entire Gap as a strategic threat environment.’⁶⁰

58. In this ‘Gap’ are listed Haiti, Colombia, Brazil and Argentina, Former Yugoslavia, Condo and Rwanda/Burundi, Angola, South Africa, Israel-Palestine, Saudi Arabia, Iraq, Somalia, Iran, Afghanistan, Pakistan, North Korea and Indonesia, to which which China, Russia and India are added, for good measure, ‘as new/integrating members of the core [that] may be lost in coming years.’ The trouble for the American empire as it inclines in this strategic direction is that very few of the world's states today, given their economic and political structures and the social forces, are going to be able to reconstructed along the lines of post-war Japan and Germany, even if, indeed especially if, they are occupied by the US military, and even if they are penetrated rather than marginalized by globalization. What is more, an American imperialism that is so blatantly imperialistic risks losing the very appearance that historically made it plausible and attractive.

59. The current open disagreements over the war on Iraq between France, Germany and even Canada, on the one hand, and the American state, on the other, need to be seen in this light. These tensions pertain very little to economic rivalries. Indeed their bourgeoisies — visibly troubled by and increasingly complaining about not being on the same page as the Americans— are even less inclined to challenge American hegemony than were in the 1970s. The tensions pertain rather more to an inclination on the part of these states themselves (in good part reflective of their relative lack of autonomous military capacity) to prefer the use of international financial institutions and the WTO to try to fashion the effective states global capitalism needs.

60. It pertains most of all, however, to the danger posed to these states’ legitimacy once they are located in a framework of American imperialism that is so visibly imperialistic. The American empire, as we indicated before, has certainly been hegemonic vis a vis these states and their capitalist classes, but it has never entailed, for all of the American economic and cultural penetration in their societies, a transfer of direct popular loyalty —call it a sense of ‘patriotism’— to the American state itself. Indeed, the American form of rule — founded on the constitutional rinciple of extended empire and self-government— has never demanded this. In this sense the unpopularity, and even the absence of core state endorsement of the American military intervention, is not new — as evidenced by the distance taken from repeated interventions in Latin America and the Caribbean by the American state since 1945, and indeed since 1975, not to mention the American subversion of governments elsewhere, or the Vietnam War.

61. Today, the American state’s war of aggression in Iraq, precisely because it so flagrantly imperial and is so openly connected to a doctrine that expresses the broader purposes of establishing neoliberal capitalist order on a global scale, has evoked an unprecedented opposition on a similar scale, including within the capitalist core states. This is especially significant because since the American empire can only rule through other states, the greatest danger to it is that the states within its orbit will be rendered illegitimate by virtue of their articulation to the imperium. To be sure, only a fundamental change in class and structure within each of these states can bring about a disarticulation from the empire, but the political space may now be seen as opening up for the kind of mobilization from below that can eventually lead to this.

I. ENDNOTES

¹ 'Great Britain, The United States and Canada', Twenty-First Cust Foundation Lecture, University of Nottingham, May 21, 1948, in H. Innis, *Essays in Canadian Economic History*, Toronto: University of Toronto Press, 1956, p. 407.

² The Friedman manifesto appeared in the New York Times Magazine on March 28, 1999, and the Ignatieff essay on January 5, 2003. Ignatieff adds: 'It means laying down the rules America wants (on everything from markets to weapons of mass destruction) while exempting itself from other rules (the Kyoto protocol on climate change and the International Criminal Court) that go against its interests.'

³ *The Grand Chessboard*, New York 1997, p. 40.

⁴ See "Rebuilding America's Defenses: Strategy, Forces and Resources For a New Century," A Report of the Project for the New American Century. <http://www.newamericancentury.org/publicationsreports.htm>; and *The National Security Strategy of the United States of America*, Falls Village, Connecticut: Winterhouse, 2002.

⁵ On the face of it, as with Brzezinski's terminology, this is by no means absurd since Romanization could indeed be 'understood as the assimilation of the conquered nations to Roman culture and political worldview. The conquered became partners in running the empire. It was a selective process that applied directly only to the upper level of subject societies but it trickled down to all classes with benefits for some, negative consequences for others.... Roman supremacy was based on a masterful combination of violence and psychological persuasion — the harshest punishment for those who challenged it, the perception that their power knew no limits and that rewards were given to those who conformed.' Antonio Santosuosso, *Storming the Heavens: Soldiers, Emperor, and Civilians in the Roman Empire*, Westview: Boulder, 2001, pp 151-2.

⁶ *Monthly Review* 42:6 November 1990, pp. 1—6.

⁷ Such were the attachments to the old theory that even scholars like Magdoff and O'Connor who in the 1960s 'were most alert to the changing pattern of intercapitalist relations felt obliged to pay a tribute to Lenin thus compounding the confusion.' Giovanni Arrighi, *The Geometry of Imperialism*, London: NLB 1978, p. 17.

⁸ 'Der Imperialismus', *Die Neue Ziet* Year 32, XXXII/2, Sept 11th, 1914, p. 908. Only the last part of this famous essay was translated and published in *New Left Review* in 1970. Thanks are due to Sabine Neidhardt for providing us with a full translation. Note Arrighi's use of almost identical words in 1990: 'What happened to the term imperialism is by the time it flourished in the early 1970s, it had come to mean everything and therefore nothing.' See 'Hegemony and Social Change' *Mersham International Studies Review*, 38, 1994, p. 365.

⁹ Bob Rowthorne, 'Imperialism in the Seventies: unity or Rivalry', *New Left Review* 69, 1971.

¹⁰ 'In recent years no topic has occupied the attention of scholars of international relations more than that of American hegemonic decline. The erosion of American economic political and military power is unmistakable. The historically unprecedented resources and capabilities that stood behind United States early postwar diplomacy, and that led Henry Luce in the 1940s to herald an 'Amerjcan century,' have given way to an equally remarkable and rapid redistribution of international power and wealth. In the guise of theories of "hegemonic stability," scholars have been debating the extent of hegemonic decline and its consequences.' G. John Ikenberry 'Rethinking the Origins of American Hegemony', *Political Science Quarterly* 104:3, 1989, p. 375. For the leading critique of this view, see Susan Strange, 'The Persistent Myth of Lost Hegemony' *International Organization*, 41:4, Autumn 1987.

¹¹ Andrew Glyn and Bob Sutcliffe, 'Global But Leaderless', *Socialist Register* 1992, p. 93.

¹² Peter Gowan, 'Neo-Liberal Theory and Practice for Eastern Europe', *New Left Review* 213, Sept-Oct 1995.

¹³ 'Towards a Theory of Transnational Empire', in E-O. Czempiel and J. Rosenau eds. *Global Changes and Theoretical Challenges*, Lexington 1989, p.p. 171-2.

¹⁴ Michael Hardt and Antonio Negri, *Empire*, Cambridge, MA: Harvard University Press, 2000, p. xiv, emphasis in text. See our review essay, 'Gems and Baubles in Empire', *Historical Materialism* 10, 2002, pp. 17-43

¹⁵ *The Great Transformation*, Beacon, Boston: 1957, p. 18.

¹⁶ 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.

¹⁷ Just how far this fundamental mistake continues to plague us can be discerned from the fact that even those who insist today that the old theory of imperialism no longer can be made to fit contemporary global capitalism, nevertheless accept the underconsumption/overproduction theory of crisis as explaining the pre-World War One imperialism. This has been most recently seen in the way Hardt and Negri completely follow Lenin and Luxemburg in this respect, arguing that capitalism by its very nature confronts a contradiction in trying to realize surplus value: workers get less than what they produce (underconsume), so capital must look outside its own borders for markets. Since this is a problem in each capitalist country, the 'solution' requires constant access to markets in *non-capitalist* social formations. The focus on non-capitalist markets is reinforced by the need for the raw materials to feed workers and supply production at home. But the successful realization of the surplus and the expansion of production simply recreate the contradiction or crisis of underconsumption as a crisis of overproduction. This forces capital 'abroad' to find outlets for its surplus capital. That overall search for foreign markets, materials and investment opportunities involves the extension of national sovereignty beyond its borders - imperialism - and at the same time tends to bring the outside world 'in' (i.e. into capitalism). And so the crisis of underconsumption/ overproduction is simply regenerated on a larger scale.

¹⁸ John Gallagher and Ronald Robinson, 'The Imperialism of Free Trade' *The Economic History Review*, VI:1, 1953, p. 6. Nor did the move towards responsible government in the colonies that coincided with the era of free trade mean, as Lenin imagined, that the policy of 'free competition' entailed, in the opinion of leading bourgeois politicians, 'that the liberation of the colonies and their complete separation from Great Britain was inevitable and desirable.' This reflected a conventional misconception that free trade rendered empire 'superfluous', which severely misconstrued the significance of changes in constitutional forms. As Gallagher and Robinson put it: '[R]esponsible government far from being a separatist device, was simply a change from direct to indirect methods of maintaining British interests. By slackening the formal political bond at the appropriate time, it was possible to rely on economic dependence and mutual good-feeling to keep the colonies bound to Britain while still using them as agents for further British expansion.' *Ibid*, p. 2.

¹⁹ *Ibid*, pp. 6-7.

²⁰ See John Kautsky, 'J.A. Schumpeter and Karl Kautsky: Parallel Theories of Imperialism', *Midwest Journal of Political Science*, V:2, May, 1961, pp. 101-128.

²¹ *Ibid*, p. 115.

²² Quoted in William Appleman Williams, *Empire as a Way of Life*, New York: Oxford University Press, 1980, p.185.

²³ Perry Anderson, 'Force and Consent', *New Left Review* 17, Sept/Oct 2002, p. 24.

²⁴ Quoted in Williams, *Empire as a Way of Life*, p. 61.

²⁵ *Ibid*, pp. 43, 48.

²⁶ See Gareth Stedman Jones, 'The Specificity of US Imperialism' *New Left Review* 60 (first series) Mar/Apr 1970 p. 65. Written at the time of a brief revival of interest in the theory of imperialism, it is notable that Stedman saw this essay as breaking with a discussion of imperialism that 'has so far lacked any serious historical or sociological dimensions.... The Left has tended to treat imperialism as an undifferentiated global product of a certain stage of capitalism.' *Ibid.*, p. 60, n. 1.

²⁷ Anderson, 'Force and Consent', p. 25.

²⁸ *Ibid*.

²⁹ Williams, p. 122.

³⁰ See L. Panitch, 'Class and Dependency in Canadian Political Economy', *Studies in Political Economy* 6, 198Autumn 1980 pp. 7-34; W. Clement, *Continental Corporate Power*, Toronto, McLelland & Stewart, 1977; and M. Wilkins, *The Emergence of Multinational Enterprise*, Cambridge, Mass, 1970. Jefferson had justified the war of 1812 (sparked by American concerns the British were encouraging Indian resistance to western expansion) in these terms: 'If the British don't give us the satisfaction we demand, we will take Canada, which wants to enter the union; and when, together with Canada, we shall have the Floridas, we shall no longer have any difficulties with our neighbors; and it is the only way of preventing them.' The passage from the urge to continental expansion through internal empire to expansion through informal external empire, with Canada representing the model of successful American imperialism in the 20th century, was marked, almost exactly 100 years later, when President Taft spoke in terms of 'greater economic ties' being the way to make Canada 'only an adjunct of the USA.' See Williams, pp. 63-4, 132.

³¹ Stedman Jones, 'The Specificity', p. 63.

³² Quoted in G. Achcar, *The Clash of Barbarisms*, New York: Monthly Review Press 2002, p. 96.

³³ Letter to Duncan Grant, quoted in Nicholas Fraser, 'More Than Economist', *Harper's Magazine*, November 2001, p. 80. The issue here, of course, was the American state's refusal to forgive Allied war debts, with all the consequences this entailed for the imposition of heavy German reparations payments. See Michael Hudson's *Super Imperialism: The Economic Strategy of American Empire*, New York: Holt, Rinehart and Winston, 1971(?).

³⁴ Brian Waddell, 'Corporate Influence and World War II: Resolving the New Deal Political Stalemate', *Journal of Political History* 11:3, 1999, p. 2.

³⁵ Robert Skidelsky's, *John Maynard Keynes: Fighting for Freedom, 1937-1946*, New York: Viking, 2001, pp. xxiii.

³⁶ All the quotations in this paragraph are derived from Skidelsky's account, pp. 334, 348, 350-1, 355.

³⁷ Martin Shaw, *Theory of the Global State*, Cambridge, U.K.: Cambridge University Press, 2000.

³⁸ Peter Gowan, 'The American Campaign for Global Sovereignty', *Socialist Register 2003*, London: Merlin, 2002, p. 5.

³⁹ See Raymond Aron, *The Imperial Republic: The United States and the World 1945-1973*, Cambridge, MA: Winthrop, 1974, esp. pp. 168 and 217; and N. Poulantzas, *Classes in Contemporary Capitalism*, London: NLB, 1974, esp. pp. 39 and 57.

⁴⁰ N. Poulantzas, , p. 73. And see Robert Cox, *Production, Power and World Order*, New York: Columbia University Press, 1987, esp. p. 254.

⁴¹ Quoted in C. Jagan, *Forbidden Freedom*, 3rd ed., London: Harbis, 1994, p.I.

⁴² Quoted in Williams, p. 189.

⁴³ The special post-war conditions included the application of technologies developed during the war; catch up to American technology and methods (the gap had already been rising during the thirties and obviously accelerated during the war); pent-up demand; subsidized investments for rebuilding and the productivity effect of new facilities - all of which providing enormous scope for accumulation after the destruction of so much value during the Depression and the War. See Moses Abramowitz, 'Catching Up, Forging Ahead, and Falling Behind' *Journal of Economic History*, 46:2, June, 1986, and also 'Rapid Growth Potential and Realization: The Experience of the Capitalist Economies in the Postwar Period' in Edmund Malinvaud, ed. *Economic Growth and Resources*, London, 1979. Also crucial was the unique role of the American state in opening up its market, providing critical financial assistance, and contributing to international economic and political stability internationally.

⁴⁴ On the relationship between the collapse of the gold standard, capital mobility, and the development of democratic pressures see Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System*, Princeton: Princeton University Press, 1996, Chapters 2-3.

⁴⁵ On the mood at that time, two Vice-Presidents of Citibank, looking back to that time, observed that '...it is not surprising that economists were so sure in the late 60's and early 70's that the breakdown of fixed exchange rates would further weaken economic links between countries.' See Harold van B. Cleveland and Ramachandra Bhagavatula, 'The Continuing World Economic Crisis', *Foreign Affairs*, Vol 59, No.3, 1981, p.600. See also Lou Pauly's observation that, at the time, '[i]nternational monetary disarray appeared quite capable of restoring the world of the 1930s'. Louis B. Pauly, *Who Elected the Bankers?*, Ithaca: Cornell University Press, 1997, p.100.

⁴⁶ The 'induced reproduction of American monopoly capitalism within the other metropolises...implies the extended reproduction within them of the political and ideological conditions for [the] development of American imperialism.' N. Poulantzas, 1974, p.47.

⁴⁷ 'It is this dis-articulation and heterogeneity of the domestic bourgeoisie that explains the weak resistance, limited to fit and starts, that European states have put up to American capital'. Ibid, p.75.

⁴⁸ Ibid, p.87.

⁴⁹ Ibid, p.81. On the internationalization of the state, see also Robert Cox, *Production, Power, And World Order*, New York: Columbia University Pres, 1987, pp.253-267.

⁵⁰ At one time or another, policy during the seventies included import surcharges, attempts at international co-operation on exchange rates, wage and price controls, monetarism, and fiscal stimulus.

⁵¹ A *New York Times* reporter captured the unilateralist aggressiveness driving the American response: 'What is entirely clear is that the United States in a single dramatic stroke has shown the world how powerful it still is...in breaking the link between the dollar and gold and imposing a 10% import tax, the United States has shown who is Gulliver and who the Lilliputians...by "Lilliputians" are meant not the Nicaraguans or Gabons but West Germany, Japan, Britain, and the other leading industrial nations', cited by H.L.Robinson, 'The Downfall of the Dollar' in R. Miliband and J.Saville, *The Socialist Register, 1973*, London:Merlin Press, 1974, p. 417.

⁵² *Report of the President on U.S. Competitiveness*, Office of Foreign Economic Research, U.S. Department of Labour, Washington, September, 1980.

⁵³ The term ' a new for of social rule' is from G. Albo and T. Fast's 'Varieties of Neoliberalism' paper presented to the Conference on the Convergence of Capitalist Economies, Wake Forest, North Carolina September 27-29, 2002.

⁵⁴ See S. Gindin and L. Panitch, 'Rethinking Crisis', *Monthly Review*, November, 1999.

⁵⁵ See L. Panitch, "'The State in a changing World": Social-Democratizing global Capitalism?', *Monthly Review*, October, 1998.

⁵⁶ See esp. Robert Brenner, *The Boom and the Bubble: The US in the World Economy*, London: Verso, 2002.

⁵⁷ *Financial Times*, March 26, 2003.

⁵⁸ See L. Panitch, 'The New Imperial State', *New Left Review* 2, March/April, 2000.

⁵⁹ 'The United Nations after the Gulf War: A Promise Betrayed', Stephen Lewis interviewed by Jim Wurst, *World Policy Journal*, Summer 1991, pp. 539-49.

⁶⁰ See especially, Thomas P.M. Barnett, 'The Pentagon's New Map: It Explains Why We're Going to War and Why We'll Keep Going to War', *Esquire*, March 2003 (on the U.S. Naval War College website at <http://www.nwc.navy.mil/newrules/ThePentagonsNewMap.htm>).

global capitalism and sustain its global empire. II.Â call Empire today back to the Americans constitutions incorporation of Madisonian network power.³⁰ This entailed not only checks and balances within the state apparatus, but the notion that the greater plurality of interests incorporated within an extensive and expansive state would guarantee that the masses would have no common motive or capacity to come together to check the ruling class.³¹ Yet, far from anticipating the sort of decentred and amorphous power that Hardt and Negri imagine characterizes the US historically (and Empire today), the constitutional framework of the new American sta the global financial system possible (Part IV: The Realization of Global Capitalism); and the US stateâ€™s role in the continued management of an increasingly unstable global economic system (Part V: The Rule of Global Capitalism). Despite contemporary appearances, Panitch and Gindin wish to make it known that the current crisis is simply a case of America sharing its problems with the world - itself further evidence of the nature and extent of its so-called â€œinformal empireâ€™ (Part VI: The Global Capitalist Millennium).Â Consequently, the bookâ€™s subtitle, â€œThe Political Economy of American Empireâ€™, is a much better description of the actual content given the wide variety of states involved and the complex interactions between them.