Rough Road to Empire[1]
by
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The beginning of the 21st century has been marked by a renewed interest in empire-building. The purpose of this paper is to examine this renewed interest in the light of the interpretative scheme proposed in *The Long Twentieth Century* (Arrighi 1994) and in *Chaos and Governance in the Modern World System* (Arrighi and Silver 1999). After summing up the main features of this scheme, I will trace present US imperial ambitions to the growing dependence of the United States on foreign capital to prop up its centrality in the global political economy. US attempts to use its seemingly unchallengeable military supremacy to stave off economic decline have nonetheless run into serious problems. The paper analyzes these problems and then concludes by revisiting the contentions of *The Long Twentieth Century* and *Chaos and Governance* in light of recent trends and events.

I. After US Hegemony

A surprising number of readers have attributed to *The Long Twentieth Century* two contentions it never made. One is the contention, in the words of Michael Hardt and Antonio Negri, that "in the context of Arrighi's cyclical argument it is impossible to recognize a rupture of the system, a paradigm shift, an event. Instead, everything must always return, and the history of capitalism

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thus becomes the eternal return of the same" (2000: 239).[2] And the other is the contention that Japan was poised to replace the United States as the new hegemonic power–a contention that in retrospect is dismissed in light of the Japanese economic crisis and US economic resurgence of the 1990's. [3]

In reality, *The Long Twentieth Century* makes neither claim. The four systemic cycles of accumulation constructed in the book–each consisting of a phase of material expansion and a phase of financial expansion–neither prevent a recognition of systemic ruptures and paradigm shifts, nor describe the history of capitalism as an eternal return of the same. On the contrary, they show that systemic ruptures and paradigm shifts occur precisely when the "same" (in the form of recurrent system-wide financial expansions) appears to return. Moreover, by comparing successive periods of return/rupture, the book shows how the motor of restructuring and renewed expansion has changed over time, making the present crisis and financial expansion novel in key respects.

The novelty on which *The Long Twentieth Century* focused was an unprecedented bifurcation of financial and military power.

> What is new in the present configuration of power is that Japan has done so well by specializing in the pursuit of profit in the East Asian region and letting the US specialize in the pursuit of world power... as to wrest from the West one of the two most important ingredients of its fortunes over the preceding five hundred years: control over surplus capital. For each of the successive systemic cycles of accumulation that made the fortunes of the West has been premised on the formation of ever-more powerful territorialist-capitalist blocs of governmental and business organizations endowed with greater capabilities than the preceding bloc to widen or deepen the spatial and functional scope of the capitalist world-economy. The situation today seems to be such that this evolutionary process has reached, or is about to reach, its limits. (Arrighi 1994: 353-4)

[2] For the most recent criticism along the same lines, see Detti (2003: 551-2)

[3] Most recently, Benigno (2003: 557) and Maione (2003: 564-5). See also Hardt (1996).

The evolutionary process that underlay the recurrence of material and financial expansions was approaching its limits because "the state-and-war-making capabilities of the traditional power centers of the capitalist West have gone so far that they can increase further only through the formation of a truly global world-empire." And yet, the "realization [of such an empire] requires control over the most prolific sources of world surplus capital--sources which are now located in East Asia." It was not clear to me at the time–nor, as we shall see, is it clear to me today–"by what means the traditional power centers of the West can acquire and retain this control" (Arrighi 1994: 354-5).

I therefore concluded by sketching not one but three quite different scenarios as possible outcomes of the ongoing crisis of the US regime of accumulation.

> First, the old centers may succeed in halting the course of capitalist history. The course of capitalist history over the last five hundred years has been a succession of financial expansions during which there occurred a change of guard at the commanding heights of the capitalist world-economy. This outcome is present at the level of tendency also in the current financial expansion. But this tendency is countered by the very extent of the state-and-war-making capabilities of the old guard, which may well be in a position to appropriate through force, cunning, or persuasion the surplus capital that accumulates in the new centers and thereby terminate capitalist history through the formation of a truly global world-empire. Second, the old guard may fail to stop the course of capitalist history and East Asian capital may come to occupy a commanding position in systemic processes of capital accumulation. Capitalist history would then continue but under conditions that depart radically from what they have been since the formation of the modern interstate system. The new guard at the commanding heights of the capitalist world-economy would lack the state-and-war-making capabilities that, historically, have been associated with the enlarged reproduction of a capitalist layer on top of the market layer of the world-economy. If Adam Smith and Fernand Braudel were right in their contentions that capitalism would not survive such a disassociation, then... [c]apitalism... would wither away with the state power that has made its fortunes in the modern era, and the underlying layer of the market economy would revert to some kind of anarchic order. Finally--to paraphrase Schumpeter--before humanity chokes (or basks) in the dungeon (or paradise) of a postcapitalist world-empire or of a postcapitalist world-market society, it may well burn up in the horrors (or glories) of the escalting violence that has accompanied the liquidation of the Cold War world order. In this case, capitalist history would also come to an end but by reverting permanently to the systemic chaos from

> which it began six hundred years ago and which has been reproduced on an ever increasing scale with each transition. Whether this would mean the end just of capitalist history or of all human history, it is impossible to tell. (Arrighi 1994: 355-6)

These conclusions were reached on the basis of a research agenda that focused almost exclusively on state-capital relations in the European- and eventually US-centered world capitalist system. *Chaos and Governance* confirmed the significance of the bifurcation of financial and military power identified in *The Long Twentieth Century.* But by investigating the role of social and inter-civilizational conflicts in shaping hegemonic transitions, it added important new dimensions to the diagnosis of the ongoing hegemonic crisis.

For what concerns the continuing significance of the bifurcation of military and financial power, we argued that the inability of the Japanese economy to recover from the crash of 1990-92 and the region-wide financial crisis of 1997-98 in themselves did not support the conclusion that the "rise of East Asia" had been a mirage. We noted that in previous hegemonic transitions, it was the newly emerging centers of world-scale processes of capital accumulation that experienced the deepest financial crises, as their financial prowess outstripped their institutional capacity to regulate the massive amounts of mobile capital flowing in and out of their jurisdictions. This was true of London and England in the late eighteenth century and even more of New York and the United States in the 1930's. No one would use the Wall Street crash of 1929-31 and the subsequent US Great Depression to argue that the epicenter of global processes of capital accumulation had *not* been shifting from the United Kingdom to the United States in the first half of the twentieth century. Nor should we draw any analogous conclusion from the East Asian financial crises of the 1990's (Arrighi and Silver 1999: especially chapter 1 and Conclusion).

Nonetheless, through the 1990's the economic expansion of China at rates without parallel or precedent for an ensemble of comparable demographic size had continued unabated.[4] We accordingly de-emphasized the importance of the Japanese component of the rise of East Asia to underscore the deep roots of the Chinese ascent, not just in the social and political reconstitution of China in the Cold War era under communism, but also in the achievements of late imperial China in state-and-national-economy-making prior to its subordinate incorporation into the European-centered world system. From this standpoint, the increasing centrality of China and of the overseas Chinese diaspora in promoting the region's economic integration and expansion was seen as building upon a long-standing East Asian practice of relying more heavily than in the West on trade and markets to regulate relations among sovereigns and between sovereigns and subjects. This practice constituted a serious handicap in preventing the forcible subordination of the China-centered regional system within the structures of the European-centered globalizing system. Over time, however, it became the foundation of renewed competitiveness in the highly integrated global market that emerged under US hegemony (Arrighi and Silver 1999: especially ch. 3; see also Arrighi, Hamashita and Selden 2003: especially Introduction and ch. 7).

This interpretation of the increasing centrality of China in the East Asian economy, and of East Asia in the global economy, has two important implications for the prospective outcome

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[4] Suffice it to mention that China's GNP per capita as a percentage of the world average, which had increased by 28% in the 1970's and by 84% in the 1980's, rose by 95% in the 1990's (calculated from World Bank 1984 and 2002). As we shall see, the Chinese ascent has in fact been even more significant than these figures imply. For persistent current account surpluses in the balance of payments of the "China Circle" (Mainland China, Singapore, Hong Kong and Taiwan) on the one side, and large and growing US current account deficits on the other, have turned the China Circle, and the PRC in particular, into the second main financier after Japan of the escalating US deficit.

of the ongoing crisis of US hegemony. First, to the extent that these tendencies are indeed the expression of a region-specific historical heritage, they can be expected to be far more robust than if they were simply due to policies and behavior that could be replicated elsewhere in the world. Second, China's demographic size means that its continuing economic expansion is far more subversive of the global hierarchy of wealth than all the previous East Asian economic "miracles" put together. For all these miracles (the Japanese included) were instances of upward mobility within a fundamentally stable hierarchy. The hierarchy could and did accommodate the upward mobility of a handful of East Asian states (two of them city-states) accounting for about one-twentieth of world population. But accommodating the upward mobility of a state that by itself accounts for about one-fifth of world population is an altogether different affair. It implies a fundamental subversion of the very pyramidal structure of the hierarchy.[5]

The subversive implication of the Chinese ascent is closely related to another dimension of the ongoing hegemonic crisis that was not explored in *The Long Twentieth Century* but figures prominently in *Chaos and Governance*: the crisis' peculiar social character in comparison with earlier hegemonic crises. In past hegemonic transitions, the massive redistribution of resources and the even greater social dislocations entailed by financial expansions provoked movements of resistance and rebellion by subordinate groups and communities whose established ways of life were coming under attack. Interacting with interstate power struggles, these movements eventually forced the dominant groups to form a new hegemonic social bloc that selectively included previously excluded groups and

[5] Indeed, to the extent that recent research on world income inequality has detected a statistical trend towards declining inter-country inequality in the 1990s, this is due *entirely* to the rapid economic growth of China (Arrighi, Silver and Brewer 2003).

communities. In the transition from British to US hegemony–under the joint impact of the revolt against the West and working-class rebellions–the hegemonic social bloc was expanded through the promise of security of employment and high mass consumption for the working classes of the wealthier countries of the West, and of rights to national self-determination and "development" for the elites of the non-Western world. It soon became clear, however, that this package of promises could not be delivered on. Moreover, it engendered expectations among the world's subordinate strata that seriously threatened the stability and eventually precipitated the crisis of US hegemony (Arrighi and Silver 1999: 153-216; Silver 2003: 149-167).

Thus, while in previous hegemonic crises systemwide social conflict escalated in the wake and partly as a consequence of financial expansions, in the crisis of US hegemony the system-wide explosion of social conflict of the late 1960s and early 1970s preceded and thoroughly shaped the subsequent financial expansion. Indeed, in a very real sense the present financial expansion has been primarily an instrument of the containment of the combined demands of the peoples of the non-Western world and of the Western working classes. Financialization and the associated restructuring of the global political economy have undoubtedly succeeded in disorganizing the social forces that were the bearers of these demands in the upheavals of the late 1960s and 1970s. At the same time, however, the underlying contradiction of a world capitalist system that promotes the formation of a world proletariat but cannot accommodate a generalized living wage (that is, the most basic of reproduction costs), far from being solved, is a constant source of tensions and conflicts within, between, and across political communities (Arrighi and Silver 1999: 282-6; Silver 2003: 20-25; 177-179).

It follows that the confrontation between the tendency towards the formation of a world empire centered on the West and of a world market society centered on the East, is not occurring in a social void. Rather, the chances that one or the other tendency will prevail largely depend on whether the agencies of either tendency can provide feasible and credible solutions to the system-level problems left behind by US hegemony. It seemed to us then, and it still seems to me now, that the most serious of these problems is "the seemingly unbridgeable gulf between the life-chances of a small minority of world population (between 10 and 20 percent) and the vast majority" (Arrighi and Silver 1999: 289). As noted above, the continuing rapid economic expansion of China was recognized as a major force subverting that seemingly unbridgeable gulf. *Chaos and Governance* nonetheless concluded on a cautionary note by pointing out two major obstacles to a non-catastrophic transition to a more equitable world order.

The most immediate obstacle was traced to US resistance to adjustment and accommodation. Paraphrasing David Calleo (1987: 142), we noted that the Dutch- and the British-centered world systems had broken down under the impact of two tendencies: the emergence of aggressive new powers, and the attempt of the declining hegemonic power to avoid adjustment and accommodation by cementing its slipping preeminence into an exploitative domination. Today, we maintained

> There are no credible aggressive new powers that can provoke the breakdown of the US-centered world system, but the United States has even greater capabilities than Britain did a century ago to convert its declining hegemony into an exploitative domination. If the system eventually breaks down, it will be primarily because of US resistance to adjustment and accommodation. And conversely, US adjustment and accommodation to the rising economic power of the East Asian region is an essential condition for a non-catastrophic transition to a new world order. (Arrighi and Silver 1999: 288-9)

Less immediate but equally important was the second obstacle: the still unverified capacity of the agencies of the East Asian economic expansion to "open up a new path of development for themselves and for the world that departs radically from the one that is now at a dead-end." This, we claimed "is an imposing task that the dominant groups of East Asian states have hardly begun to undertake."

> In past hegemonic transitions, dominant groups successfully took on the task of fashioning a new world order only after coming under intense pressure from movements of protest and self-protection from below. This pressure from below has widened and deepened from transition to transition, leading to enlarged social blocs with each new hegemony. Thus, we can expect social contradictions to play a far more decisive role than ever before in shaping both the unfolding transition and whatever new world order eventually emerges out of the impending systemic chaos. But whether the movements will largely follow and be shaped by the escalation of violence (as in past transitions) or precede and effectively work toward containing the systemic chaos is a question that is open. Its answer is ultimately in the hands of the movements.(Arrighi and Silver 1999: 289)

The issue raised in this passage is different from that raised at the end of *The Long Twentieth Century*. The three alternative scenarios sketched at the end of *The Long Twentieth Century* concerned possible developments of the global political economy *after* the US regime of rule and accumulation had experienced its "terminal crisis." The United States was said to be living through one of those *belle epoques* that historically had marked the closing phase of capitalist world hegemonies. That the US regime would sooner or later experience its own terminal crisis was taken for granted. But nothing was said concerning the process of transition from the *belle epoque* of the US regime to the scenarios that were thought to be its most likely successors.

Chaos and Governance, in contrast, focused on the role that social conflict and systemic chaos–understood as a situation of severe and seemingly irremediable systemic disorganization–have played in the transition from one world order/hegemony to another. Like *The Long Twentieth Century*, it interpreted the revival of US wealth and power of the 1980s and 1990s as the typical *belle epoque* of closing phases of capitalist world hegemonies. Unlike *The Long Twentieth Century*, however, it raised the question of whether it was necessary for this particular *belle epoque* to be followed, like previous *belles epoques,* by a long period of systemic chaos and unspeakable human sufferings. The answer given in the concluding passage quoted above was that this time around social movements of protest and self-protection had a better chance to act preemptively in the containment of chaos. Whether or not this was wishful thinking is an issue to which we shall return in the paper's concluding section.

II. Domination Without Hegemony

One year after the publication of *Chaos and Governance* the US-centered "new economy" bubble burst. Shortly afterwards came the shock of 9/11. For a brief moment, through the war on Afghanistan, it seemed that the United States could strengthen its global hegemonic role by mobilizing a vast array of governmental and non-governmental forces in the War on Terrorism. Within another year, however, the United States found itself almost completely isolated in waging a war on Iraq that was generally perceived to have little to do with the War on Terrorism and to defy generally accepted rules and norms of interstate relations. What is the meaning of this sequence of events? Does it mark the end of the US *belle epoque* and, if so, what is the new condition of the global political economy?

Almost daily the media provide evidence that we may indeed be witnessing the terminal crisis of US hegemony. One of the most telling pieces of evidence is a report in *The New York Times* on the eve of the Asia-Pacific Economic Cooperation (APEC) meeting in Bangkok. According to the report, political and business leaders in Asia see US hegemony "subtly but unmistakenly eroding as Asian countries look toward China as the increasingly vital regional power." Although the United States remains the region's biggest trading partner, China is rapidly catching up, especially vis-a-vis the United States' two most important strategic allies, Japan and South Korea. More important, over the last year the politics of the situation has experienced a radical turnabout. As an illustration, the report quotes the assessment of a prominent Singaporean businessman, who a year earlier gave speeches in Hong Kong and London accusing China of being a juggernaut poised to smother the weaker economies of Southeast Asia. Now he draws an altogether different picture. "The perception is that China is trying its best to please, assist, accommodate its neighbors while the United States is perceived as a country involved more and more in its own foreign policy, and strong-arming everyone onto that agenda" (Perlez 2003a: 1; see also Pan 2003 and Perlez 2003b).

This perception of the United States is not limited to Asian countries. In the United States itself, prominent foreign policy scholars and analysts across the political spectrum see the doctrine underpinning the invasion of Iraq as having backfired. Inspired by *The Project for the New American Century* of 1997 and officially adopted by the Bush administration with the National Security Strategy document issued in September 2002, the doctrine rests on and propagates the belief that the United States can retain its predominant position in the world, and that it should do so virtually at all costs and by any means. These include pre-emptive wars waged against would-be rivals and the reshaping of world regions to fit US interests and values. Moreover, the doctrine maintains that the more uncompromisingly the United States pursues these policies, the greater the chances that the rest of the world will follow along. As it turns out, one year after the doctrine became official policy, far from following along, the rest of the world rejected US leadership to an extent that has no precedent in the annals of US hegemony. In the words of Scott McConnell, chief editor of *The American Conservative* magazine, "We are more isolated from general opinions of mankind than at any time in history" (quoted in Lobe 2003).

This may well be an exaggeration. But it is probably true that at this time the United States is exercising, not hegemony, but what Ranajit Guha (1992: 231-2) has called "domination without hegemony".[6] If this is indeed the case, have we entered the worse case scenario foreseen in *Chaos and Governance*–the scenario, that is, in which US resistance to adjustment and accommodation plunges the world in a long period of systemic chaos? US policies since 9/11 certainly constitute an extreme form of resistance to adjustment and accommodation. But it is not yet clear whether the plunge into systemic chaos is irreversible.

Two related considerations may help in clarifying the issues involved. The first is that, as William Raspberry (2003) has put it, "the president's mind has been the battleground for the fighting between pragmatists and ideologues–between those who see America's interests in more or less traditional terms... and those who see America's unchallenged power as a heaven-sent opportunity to reorder the world." Although the ideologues have managed to drag Bush into a mess the pragmatists had warned him about, the pragmatists may still convince him to do what it takes to get out of it.

The second consideration is that the adventurism of the ideologues on the West Asian front has strengthened the hand of the pragmatists on the East Asian front. On his way to and

[6] This notion is based on the Gramscian understanding of hegemony as the additional power that accrues to a dominant group by virtue of its capacity to lead society in a direction that serves the dominant group's interests but is perceived by subordinate groups as serving also a more general interest (Gramsci 1971: 181-2). When that *additional power* wanes–as it seems to have done in the case of the United States in the aftermath of the Iraqi war–hegemony turns into sheer domination.

from the APEC meeting in Bangkok, geographically and rhetorically Bush skirted the country that once was at the center of his administration's national security policy, China. This is "a significant shift," note James Harding and Peter Spiegel, "for a president who came into office touting his break from Clintonian policies of engagement with China, insisting in the first weeks of his presidency that China was a 'strategic competitor' to the United States." Thus, while before 9/11 the Bush administration stepped up overtures to India in an attempt to create a counterweight to China, after 9/11 balance-of-power politics took a back seat to the war on terrorism. And the more security issues in Afghanistan, Iraq and West Asia in general weighed down the US government, the more warnings of the Chinese threat gave way to an even greater engagement with China than under Clinton. Indeed, the turnabout has been so complete that the Bush administration now boasts that it has better relations with China than any administration since Richard Nixon resumed relations with the PRC (Harding and Spiegel 2003).

To be sure, in its latest evaluation of China's military strength, the Pentagon still warned that "Beijing has greatly expanded its arsenal of increasingly accurate and lethal ballistic missiles and long-range strike aircraft that are ready for immediate application should the [People's Liberation Army] be called on to conduct war before its modernization aspirations are fully realized." More important, as John Gershman has undescored, the war on terrorism has helped the United States to "prepare for China" through the development of a network of military bases in Central Asia unimaginable before 9/11, the strengthening of frayed military ties with the Philippines, a greatly expanded defense budget, and the revival of Reagan's defunct strategic defense initiative. "If China is the enemy of the future," concludes Gershman, "then the US got a lot of what it wanted, without saying that China is the enemy" (quoted in Harding and

Spiegel 2003).

Be that as it may, in order to assess the likely trajectory of US policies in the longer run, we must situate the struggle between pragmatists and ideologues and the present truce in US-Chinese rivalry in the broader context of the contradictions that underlay the crisis of US hegemony before and after 9/11 and the Wall Street crash of 2000-1. This brings us back to the growing dependence of the United States on foreign capital. In spite of persistent recession in Japan and economic revival in the United States, the reversal of positions between the two countries in the international credit system continued unabated throughout the 1990s. Writing in the midst of the Wall Street crash, but before 9/11, Eamonn Fingleton (2001: 6) underscored how Japan was then exporting "more capital in real terms than any nation since America's days of global economic dominance in the 1950's" As a result,

> in the first nine years of the 1990's Japan's net external assets jumped from $294 billion to $1,153 billion. Meanwhile, U.S. net external liabilities rocketed from $49 billion to $1,537 billion. In the long run this changing balance of financial power will be about the only thing that historians will remember about U.S.-Japanese economic rivalry in the last decade.

Two years later, as US troops were invading Iraq, the historian Niall Ferguson (2003) pointed out a fundamental difference between the financial position of the United States today and that of Britain a century ago. In Britain's case, hegemony "also meant hegemoney." As the world's banker, during its imperial heyday Britain "never had to worry about a run on the pound." The United States, in contrast, as it "overthrows 'rogue regimes,' first in Afghanistan and now in Iraq, is the world's biggest debtor.... Foreign investors now have claims on the United States amounting to about $8 trillion of its financial assets." This staggering indebtedness is the result of ever-larger deficits in the current account of the US balance of payments, totaling nearly $3 trillion since 1982 and now surpassing $1.5 billion a day.[7]

> Thus President Bush's vision of a world recast by military force to suit American tastes has a piquant corollary: the military effort involved will be (unwillingly) financed by the Europeans–including the much reviled French–and the Japanese. Does that not give them just a little leverage over American policy, on the principle that he who pays the piper calls the tune? Balzac once said that if a debtor was big enough then he had power over his creditors; the fatal thing was to be a small debtor. It seems that Mr. Bush and his men have taken this lesson to heart. (Ferguson 2003)

This is a restatement of the bifurcation thesis advanced in *The Long Twentieth Century* and further elaborated in *Chaos and Governance*. Ferguson's version of the thesis, however, misses three key aspects of the bifurcation. First, the main financiers of the huge US current account deficit are not the Europeans, let alone "the much reviled French." European private investment did play a major role in financing the US deficit in the closing years of the new economy financial bubble. But before and after the bubble, by far the most important financiers of the US current account deficits have been East Asian governments engaged in massive purchases of US government securities and in building up dollar-denominated foreign exchange reserves–first and foremost the Japanese but to an increasingly significant extent also the Chinese and other "China Circle" governments. Suffice it to mention that, in the first half of 2003 Japan and China alone bought $95 billion worth of US treasuries (Denny 2003). According to one estimate, between them China and Japan now hold more than $1 trillion in US Treasury bonds (Ignatius 2003). Moreover, of the $870 billion increase in world foreign exchange reserves between December 1999 and June 2003, $665 billion was in Asia alone (Woolf 2003). And in the second half of 2003, China is said to be adding $10 billion a month to its huge dollar reserves of $346 billion (Sperling 2003).

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[7] The latest projection at the time of writing puts the US current account deficit for 2003 at $570 billion (Major and Swann 2003: 1)

Second, the main motivations of the governmental institutions that finance the escalating US current account deficit are not strictly economic but political. Ferguson himself quotes the chief economist of the IMF, Kenneth S. Rogoff, to the effect that he would be "pretty concerned" about "a developing country that had gaping current account deficits year after year, as far as the eye can see, of 5 per cent or more [of GDP], with budget ink spinning from black into red." Of course, as Rogoff hastened to add, the United States is not a "developing" country. As neither Rogoff nor Ferguson notice, however, the United States is no ordinary "developed" country either. It is a country that expects and obtains from other governments and intergovernmental institutions–first and foremost the IMF–a preferential treatment in the handling of its finances that no other state, no matter how "developed," either expects or would obtain if it did. And this preferential treatment is expected and granted primarily, not so much because of the Balzac effect noted by Ferguson, but because of the declining but still unparalleled weight and centrality of the United States in the global economy and of the quasi-monopoly over means of mass destruction of the US military apparatus.[8]

Finally, Ferguson misses the single most important reason why the financial position of the United States today is fundamentally different from that of Britain one century ago–the fact, that is, that Britain had a territorial empire from which it could extract financial and military resources almost at will, whereas the United States has no such thing. Suffice it to mention that India was, in Lord Salisbury's words, ''an English barrack in the Oriental Seas from which we may draw any number of troops without paying for them'' (Tomlinson 1975: 341). Paid for entirely by the Indian tax-payer, these troops were organized in a European-style

[8] This issue is explored further in the next section of the paper.

colonial army deployed regularly in the endless series of wars through which Britain opened up Asia and Africa to Western trade, investment and influence.[9] At the same time, the infamous Home Charges and the Bank of England's control over India's foreign exchange reserves, jointly turned India into the "pivot" of Britain's global financial and commercial supremacy. India's balance of payments deficit with Britain and surplus with the rest of the world enabled Britain to settle its deficit on current account with the rest of the world. Without India's forcible contribution to the balance of payments of Imperial Britain, it would have been impossible for Britain "to use the income from her overseas investment for further investment abroad, and to give back to the international monetary system the liquidity she absorbed as investment income" (de Cecco 1984: 62-3).

We may sum up what Ferguson says and does not say about the present condition of US domination without ''hege*money*'' as follows. As in Britain's case at a comparable stage of hegemonic decline, escalating US current account deficits reflect a deterioration in the competitive position of US business at home and abroad. And as in Britain's case, though less successfully, US capital has partially countered this deterioration by specializing in global financial intermediation. Unlike Britain,

[9] If we take Asia and Africa together, there were as many as seventy-two separate British military campaigns between 1837 and 1900 (Bond 1967: 309-11). By a different count, between 1803 and 1901 Britain fought fifty major colonial wars (Giddens 1987: 223).

however, the United States has no territorial empire from which to extract the resources needed to retain its politico-military preeminence in an increasingly competitive world.

Britain did, of course, eventually lose its politico-military preeminence. As competition from old and new empire-building rivals intensified, creating a favorable environment for the rebellion of colonial subjects, the costs of empire escalated over and above its benefits. As Britain found it increasingly difficult to make empire pay for itself, let alone provide a surplus, it became increasingly indebted to the United States, which combined lower protection costs and greater proficiency in industrialized warfare than Britain or any of its rivals. Over time, this situation forced Britain to liquidate its overseas empire and to settle for the position of junior partner of the new hegemonic power. It nonetheless took two world wars, both of which Britain won militarily but lost financially, for Britain to lose its prior position as the world's leading creditor nation (Arrighi and Silver 1999: 72-87).

The United States, in contrast, has become the world's leading *debtor* nation without fighting a single war against actual or potential ‘‘strategic competitors,’’ as Britain did in the First and Second World Wars. For throughout its hegemony the United States had no ‘‘barrack in the Oriental Seas’’ from which to draw, without paying for them, all the troops it needed to wage in the global South as endless a series of wars as Britain did during its own hegemony. Not only did the United States have to pay for those troops and their highly capital-intensive weaponry. In addition, instead of extracting tribute from an overseas empire, it had to compete aggressively in world financial markets to attract the capital needed to balance the explosive growth of its current account deficit. Although the United States has been extremely successful in this competition, the capital it has attracted has not come for free, as Indian contributions to the British balance of payments did. On the contrary, it has generated a self-expanding flow of incomes to foreign residents that makes the US current account deficit increasingly hard to balance, and the more so, as Martin Wolf notes, because the inflow of capital has financed primarily government and private consumption rather than investment.

It follows that the United States has plunged into a protracted and costly war on multiple fronts under financial constraints far greater than those faced by Britain on the eve of the First World War. How does the United States expect to pay for this protracted and costly war? And how realistic are these expectations in light of the present situation of US domination with neither hegemony nor hege*money*?

III. The Political Economy of US Financial Irresponsibility

There are two possible answers to these questions. One is that US policy makers, like many of their critics, believe that seigniorage privileges–due to the generalized acceptance of the US dollar as international currency–set the United Sates free from financial constraints. And the other is that they expect the War on Terrorism itself to generate the financial resources needed to reestablish US world hegemony on new foundations.

Writing in the columns of the *Financial Times,* Wolf provides a good illustration of the first answer. After noticing how foreign countries have provided the United States with goods, services, and assets in return for overpriced pieces of paper, thereby enabling it to consume far beyond its means, he points out that a cynic might view what is happening "as a brilliant US conspiracy."

> In the 1980s and 1990s, its policymakers persuaded a host of economies to liberalize their financial markets. Such liberalizations generally ended with financial crises, currency crises, or a combination of the two. These disasters lowered domestic investment in the afflicted countries, instilled deep fear of current account deficits and engendered a strong desire to accumulate foreign exchange reserves. The safest way was to invest surplus funds in the country with the world's biggest economy and most liquid capital markets. When gullible foreigners can no longer be persuaded to finance the US, the dollar will decline. Since US liabilities are dollar-denominated, the bigger the decline, the smaller net US liabilities to the rest of the world will then turn out to be. In this way, the last stage of the "conspiracy" will be partial default through dollar depreciation. (Wolf 2003)

In a letter to the *Financial Times* of October 10, 2003, John Incledon echoes this view and reckons that a 10 per cent devaluation fo the US dollar–which is roughly what has occurred in 2003–reduces the real value of the total external obligations of the United States by $500-700 billion.[10] "The Bush administration," he goes on to claim, "looks at this decline as the contribution to the defense of the free world from terrorism; as a fair contribution to be made by the coalition of the unwilling." Leaving aside the fact that the main victim of the "conspiracy" would be Japan (a member of the "coalition of the willing"), US exploitation of its seigniorage privileges in order to consume both guns and butter far beyond its means, can postpone but not

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[10] If Ferguson's estimate that foreigners now have claims on the United States amounting to $8 trillion is right, then this figure should be raised to $800 billion. Estimates of US obligations to foreigners vary widely depending on the sources but the order of magnitude is not in dispute.

avoid indefinitely a fundamental structural adjustment of the United States to the new realities of the global economy. As Wolf himself underscores, the question is not whether but when and how the adjustment will occur.

Adjustment will involve some combination of further depreciation of the US dollar, appreciation of the currencies of the countries with the largest current account surpluses, and a rerouting of these surpluses from the financing of US deficits to the creation of demand elsewhere, especially in East Asia. As Wolf (2003) suggests, this eventual adjustment may be "brutal," through a dollar rout, or "smooth." The greater the US exploitation of seigniorage privileges, we may add, the greater the chances that the adjustment will be brutal and that the United States will lose those privileges earlier than might otherwise be the case. But whether brutal or smooth, the adjustment will further decrease US command over world economic resources and undermine both the centrality of the US market in the global economy and the role of the US dollar as international means of payment and reserve currency.

In short, the freedom from financial constraints that the United States derives from seigniorage privileges has limits; and the more that freedom is abused, the greater the chances that those privileges will be lost. The Bush administration has shown some awareness of the risks involved in relying too heavily on a depreciating dollar to buttress US competitiveness at home and abroad and to default on US liabilities to foreigners. Thus, at the Doha meeting in June 2003, US treasury secretary John Snow persuaded the finance ministers of the other G7 countries to sign a joint statement arguing that the determination of exchange rates should be left to the market. The statement was taken as a signal that Washington was officially abandoning its strong dollar policy, and the dollar promptly dived against all major currencies. But whenever the dive threatens to become a rout, “Mr. Snow repeats the familiar mantra about the importance of a strong currency. Nobody in the markets quite knows what [that] means anymore, but just in case it could signal a burst of intervention, they take cover and stop selling greenbacks” (Denny 2003).

Confusion in the markets is fully justified in light of the contradiction between rhetorical adherence to the importance of a strong currency and the practice of extreme monetary and fiscal laxity (see, among others, Ignatius 2003). Dictated partly by the escalating costs of the war on terrorism, and partly by the attempt to revive the US economy after the bursting of the new economy bubble, this extreme laxity is reminiscent of the US experience of the 1970's, when serious abuses of US seigniorage privileges eventually resulted in a devastating run on the US currency. For a brief moment in January 1980, the rise of the price of gold to an all-time high of $875 an ounce seemed to signal an imminent end of the de facto dollar standard inaugurated in 1971, when the United States finally abandoned its commitment to buy gold at the fixed price of $35 an ounce. As it turned out, the dollar quickly recovered from the rout and the de facto dollar standard has remained in place ever since. In light of this experience, the Bush administration’s willingness to push to its limits the abuse of US seigniorage privileges may be due to the belief that, if the worse comes to the worst, the United States can pull back from the brink and enjoy another twenty years of uncontested seigniorage privileges. If so, a rude awakening may be in store for either the Bush or a successor administration.

As argued elsewhere (Arrighi 2003: 42-3, 63-67), in the 1980s the US dollar recouped its position as the world’s money by virtue of a sudden and radical reversal of US monetary policies from extreme laxity to extreme tightness, accompanied by a stepping up of US competition for capital worldwide–through record-high interest rates, tax breaks, and increasing freedom of action for capitalist producers and speculators. In the event of a new dollar rout comparable to that of the late 1970's, however, it would be far more difficult, if at all possible, for the United States to regain the upper hand in the world monetary system. For one thing, its very success in attracting massive amounts of capital has turned the United States from a creditor nation into the world's leading debtor nation. US creditors may pause–as they certainly do–at the idea of pulling the rug from under the feet of such a big debtor. Pace Balzac, it would nonetheless make no sense at all for them to redouble their lending to a debtor that has partially defaulted on its debt through massive currency depreciation. Moreover, having already granted extraordinary incentives to capital, the United States has little left to offer in case of a new dollar rout. Under these circumstances of unprecedented indebtedness and exhaustion of incentives, a hike in interest rates like the one engineered under Reagan would provoke a far more severe domestic contraction, without any guarantee that the contraction would be followed by a robust recovery. It would thereby aggravate rather than alleviate the relative downsizing of the US economy that would ensue from the dollar rout.

To this we should add that at the time of the dollar rout of the late 1970's there were few, if any, viable alternatives to the US dollar as international currency. The Euro was still a project rather than a reality. The rapidly appreciating German Mark and Japanese Yen had neither the global economic weight nor the national institutional support needed to become significant means of international payment and reserve currencies. Having nowhere else to go, capital taking flight from the dollar thus went primarily into gold. But no major capitalist power had any interest in a re-monetization of gold at a time of world economic stagnation, especially in view of the leverage that such a re-monetization would have put in the hands of the USSR. Under these circumstances, US attempts to preserve the dollar standard could count on the active cooperation of all the governments that mattered in world monetary regulation. Also in this respect the situation today is quite different. The governments that matter are still willing to cooperate with the US government in preserving the US dollar standard. But should US abuses of seigniorage privileges once again result in a dollar rout, European and East Asian governments are in a far better position than they were 25 years ago to create viable alternatives to that standard.

In light of these considerations, it is plausible to suppose that the Bush administration is willing to take quite a few risks in exploiting US seigniorage privileges as a partial and temporary solution to the economic problems involved in recasting the world by military force to suit US interests and values. But for *The Project for the New American Century* and the National Security Strategy of 2002 to make any economic sense at all, their promoters must assume that the open-ended War on Terrorism can itself generate the financial resources needed to reestablish US world hegemony on new foundations. From this standpoint, the conquest and remaking of Iraq promised to be an ideal starting point. Politically and militarily, Afghanistan had to come first. But even before invading Afghanistan, the Bush administration had put coercive regime change in Iraq at the top of its priorities. As a tactical move in the War of Terrorism, war on Iraq made no sense at all. But as a tactical move in a longer term strategy of using military might to recoup economic might, it had some plausibility. As David Harvey has argued, if the United States could install a friendly regime in Iraq; move on to do the same in Iran; consolidate its strategic presence in Central Asia, and so dominate Caspian Basin oil reserves–"then it might, through control of the global oil spigot, hope to keep effective control over the global economy for the next fifty years." Since all the economic competitors of the United States, both in Europe and in East Asia, are heavily dependent on West Asian Oil,

> What better way for the United States to ward off that competition and secure its own hegemonic position than to control the price, conditions, and distribution of the key economic resource upon which those competitors rely? And what better way to do that than to use the one line of force where the US still remains all-powerful–military might? (Harvey 2003:24-5)

There can be little doubt that in deciding to wage war on Iraq virtually alone and in defiance of the express will of the UN Security Council, the Bush administration was thinking along these lines. In doing so, however, it may have disregarded other, less rhetorical questions that are nonetheless crucial in determining the viability of the emerging US strategy. These questions are best formulated in terms of Charles Tilly's conceptualization of state activities as complementary facets of the organization and monopolization of violence. The conceptualization refers to the organization and monopolization of violence within the territorial domains of national states. But it can be easily recast to encompass the contemporary US case of a state that is aiming at organizing and monopolizing violence at the global level.

Whatever else they might do, argues Tilly, governments "stand out from other organizations by their tendency to monopolize the concentrated means of violence." This tendency materializes through four different kinds of activity: protection, state-making, war-making, and extraction. Protection is the most distinctive "product" of governmental activities, and as we shall see, it has a double meaning that has some bearing on the legitimacy of governments. But whether legitimate or not, the credibility of, and difficulty to resist, a particular government's claim to provide protection increase with that government's success in monopolizing concentrated means of violence within its territorial domains. This involves the elimination or neutralization of rivals both inside those domains (state making) and outside (war making). And since protection, state making and war making all require financial and material resources, extraction consists of the activities through which governments procure those resources. If carried out effectively, each of these four activities "generally reinforces the others" (Tilly 1985: 171, 181).

Tilly's conceptualization emphasizes the synergy among state-making, war-making and extraction activities in ensuring governmental success in monopolizing concentrated means of violence at the national level. Current US attempts to monopolize concentrated means of violence at the world level blurs the distinction between state making and war making, as witnessed by the anomalous nature of the War on Terrorism (which is a war *sui generis* combining war making and state making) and by the war on Iraq (which was ostensibly undertaken as a first step in the remaking of the entire West Asian region to suit the interests and values of the United States). This blurring creates two major problems for the synergy envisaged by Tilly at the national level.

For one thing, US capabilities in state making and war making as distinct activities at the national level may be seriously impaired when deployed as indistinct activities at the world level. A good illustration of this possibility is the contrast between the ease with which the United States has formally won the wars on the Taliban and Hussein regimes, and the difficulties it is encountering in attaining the substantive objectives for which the wars were fought. This problem is compounded by a second: the difficulty of carrying out extraction activities minimally commensurate to the scale and scope of the state-and-war-making activities involved in monopolizing concentrated means of violence on a world scale. As we have seen, the inadequacy of the US extractive apparatus is the single most important reason why the US position in the international credit system has deteriorated far more rapidly than that of Britain at a comparable stage of hegemonic decline. Moreover, anticipations that the stepped up deployment of US military power would solve this problem by generating a *net* surplus of resources has not materialized. Indeed, judging from the first two main engagements of the War on Terrorism–the wars on Afghanistan and Iraq–the chances are that it will generate a huge net *deficit*, as witnessed, among other things, by the $87.5 billion that the Bush administration had to request in October 2003 over and above the $65 billion originally authorized by Congress.

In short, no matter how unparalleled and unprecedented US military power is, it may not be up to the task of establishing US control over global oil supplies, as opposed to scoring victories that take control out of some hands without putting it in US hands. And even if it is up to that task, it may be able to do so only by further increasing US dependence on the financial support of the very competitors against whom control over global oil supplies is directed. Would not that heightened dependence seriously limit US capacity to close the oil spigot on these competitors-financiers lest they close the money spigot on the United States?

IV. The Protection that Few Would Buy

This brings us to the issue of the legitimacy of US efforts to recast the world by military force to suit US interests. Tilly follows Arthur Stinchcombe in claiming that the legitimacy of power holders depends far less on the assent of those on whom power is exercised than on the assent of other power holders (Stinchcombe 1968: 150). To this Tilly adds that other authorities "are much more likely to confirm the decisions of a challenged authority that controls substantial force; not only fear of retaliation, but also desire to maintain a stable environment recommend that general rule" (Tilly 1985: 171). This general rule applies with even greater force in a social system divided into multiple political jurisdictions, each controlled by a formally sovereign governmental authority. In such a system the importance of the assent of the governed for the legitimacy of governmental actions is limited and mediated by interstate relations. And these relations, in turn, are thoroughly shaped by fears of retaliation and of systemic instability–what we earlier called systemic chaos.

This double fear plays a major role in shaping relations between the United States and its competitors-financiers. The Balzac effect noted earlier is one particular source of the fear of retaliation and systemic chaos that restrains the competitors-financiers of the United States from closing the money spigot that enables the United States to go on consuming well beyond its means. But the United States wields powers of retaliation and systemic de-stabilization that are much more threatening than the power to default on its colossal debt. These powers, as well as their limits, have to do with the issue of protection.

As Tilly notes, "the word 'protection' sounds two contrasting tones." With one tone, it evokes the comforting image of a powerful friend or organization that provides a shelter against danger. With the other, it evokes the ominous image of a racket in which a bully forces merchants to pay tribute in order to avoid a damage that the bully himself tacitly or openly threatens to deliver.

> Which image the word 'protection' brings to mind depends mainly on our assessment of the reality and externality of the threat. Someone who produces both the danger and, at a price, the shield against it is a racketeer. Someone who provides a needed shield but has little control over the danger's appearance qualifies as a legitimate protector, especially if his price is no higher than his competitors'.. Someone who supplies reliable, low-priced

> shielding from local racketeers and from outside marauders makes the best offer of all. (Tilly 1985: 170-1)

By this standard, Tilly goes on to argue, the provision of protection by governments often qualifies as racketeering.

> To the extent that the threats against which a given government protects its citizens are imaginary or are consequences of its activities, the government has organized a protection racket. Since governments themselves commonly simulate, or even fabricate threats of external war and the repressive and extractive activities of governments often constitute the largest current threats to the livelihoods of their own citizens, many governments operate in essentially the same way as racketeers. There is, of course, a difference: Racketeers, by the conventional definition, operate without the sanctity of governments. (Tilly 1985: 171)

Also in this respect, Tilly's considerations concerning governmental activities at the national level apply with even greater force at the level of a global system in which the "sanctity of governments" is a much fuzzier reality. Interestingly, US secretary of state Colin Powell himself evoked the ominous image of protection when he said that the United States ought "to be the bully on the block." The rest of the world would happily accept this role–he went on to assert, calling up the comforting image of protection–because the United States "can be trusted not to abuse that power" (quoted in Harvey 2003: 80).

Trust is a highly elusive entity. We do not know on what grounds Powell based his belief that the rest of the world trusted the United States not to abuse its power as "the bully on the block." But if the reports from Bangkok cited earlier are at all accurate, less than a year after Powell professed this belief, even in the friendly environment of APEC the comforting image of US protection against a real or imaginary Chinese threat had given way to the ominous image of a United States strong-arming everyone onto its own foreign policy agenda. Whatever the extent and immediate reasons of the change, the massive swing of governmental dispositions toward

US policies from assent to resistance since the promulgation of the National Security Strategy of September 2002 has little to do with whether or not other governments trust the United States not to abuse its power. Rather, it has to do with two related but distinct perceptions. One is the generalized perception that the deployment of US military might along the lines envisaged by the National Security Strategy is likely to produce, directly or indirectly, far greater dangers for the rest of the world than the terrorist threat against which it is ostensibly directed. In Tilly's terms, this is the perception that the US government is behaving like a global racketeer who is producing both the danger and, at a price, the shield against it. Equally important is the other, less general, but quite widespread perception that the costs and risks of supporting US policies are greater than the costs and risks of not supporting it. In Tilly's terms, this is the perception that the shielding from local racketeers that the United States offers worldwide is neither reliable nor low-priced.

The vicissitudes of the War on Terrorism have validated these perceptions much faster than any government might have feared or hoped. As events are showing daily, the most technologically sophisticated and destructive war machine in history is not fit to provide minimal protection "on the block." Local bullies wielding comparatively primitive means of violence, but a better sociological understanding of the block, seem capable of holding in check the global bully's pretensions to be in a position to offer superior protection on their turf. Indeed, they seem capable of forcing him to concentrate his energies on protecting himself, starkly revealing his incapacity of protecting anybody else.. The global bully can, of course, subcontract protection to local bullies. But this would reduce the resources that the global bully can extract locally or undermine the credibility of his claims to be able to provide protection anywhere he chooses to.

Thus, two years after the ousting of the Taliban regime, the executive director of the UN Office on Drugs and Crime writes that there is “a palpable risk that Afghanistan will again turn into a failed state, this time in the hands of drug cartels and narco-terrorists.” In 2001, after the Taliban had banned opium production, the annual crop had dropped to 185 metric tons. But in 2003, a crop that UN estimates put at 3,600 tons will be the second largest in Afghan history and will account for 75 percent of the poppies grown for narcotics worldwide. “The crop is worth twice the Afghan government’s annual budget,” notes Nicholas Kristof, “and much of the profit will support warlords and the Taliban.” Not surprisingly, a representative of a US aid group that has operated in Afghanistan for 15 years feels that “we’ve never had the insecurity that we have now” (Kristof 2003).

In Iraq–where the need to extract resources to sustain the strategy to stave off economic decline through the use of military might makes the effective provision of protection far more imperative than in Afghanistan–the situation is evolving in the same direction or worse. As a UK official told *The Observer*, the US-led coalition no longer faces a “monolithic organization with a clear command, [which] would be far easier... to deal with.” Instead, it faces “lots of different groups with different agendas.” According to a former colonel in the Iraqi security services, some of the people involved “are criminals, who under other circumstances few people would have anything to do with.” But most are involved “for religious and nationalist reasons.” This facilitates recruitment and the mobilization of support not just locally but also among foreign Muslims (Beaumont and Graham 2003).

Although Iraq is not Vietnam, and 2003 is not 1968, the ever more frequent use of images like “quagmire,” “attrition,” “credibility gap,” “Iraqification” and so on makes “parts of the current debate seem to be almost as much about Vietnam as about Iraq" (Whitney 2003). As Senator John McCain has pointed out, contrary to what many thought, victory in the first Gulf war "did not end the hold of the Vietnam syndrome over [the American] national consciousness." In his view, the reason is that Saddam Hussein was not removed from power (quoted in Whitney 2003). And yet, the ousting of Hussein from power is now making the Vietnam syndrome more visible than it had been in the preceding 20 years. This is probably the reason why in November 2003 the Bush administration suddenly revised its original plan to keep control of post-Hussein Iraq firmly in US hands. Commenting on this change, an editorial of *The New York Times* stated the "grim truth" that there are no attractive options for the United States in Iraq. "The Bush Administration would clearly love to be able to remove American troops from the line of fire.... Yet a rushed American withdrawal without an orderly handoff to the United Nations would leave Iraq open to just the kind of mixture of misgovernment and terrorism that the White House waged this war to prevent" (*The New York Times* 2003).

The "orderly handoff to the United Nations" advocated by *The New York Times* is not that easy to achieve either. From the standpoint of the Bush administration, it would involve a more or less open recognition of the political failure of *The Project for the New American Century*, of the National Security Strategy of 2002, and of the assumption underlying both that the United States could effectively use its military might to stave off economic decline. It would also involve a fundamental adjustment to a less exalted position in world politics, something that at the moment seems to be entirely beyond the horizon not just of the ideologues but also of the pragmatists within the administration.

This problem is compounded by the widespread reluctance of other governments to put up the resources needed to bail the United States out of the Iraqi quagmire. To be sure, many among the foreign critics of the US war on Iraq–including the reviled French–do not find much to rejoice in the US predicament. As a senior adviser at the French Institute for International Relations put it, the current situation "has given a new meaning to the formula 'When America sneezes, the entire world catches a cold'."

> When the US finds itself bogged down abroad, it poses a big challenge to the rest of the world. If America simply pulled out now, other countries would find themselves in the strange position of having to put pressure on the Americans to stay, having previously begged them not to risk invasion without a United Nations resolution. In the aftermath of a rapid withdrawal, the focus of international concern would quickly switch from the perils of US global domination, to the dangers of a world deprived of US international engagement. The problem is that if the present strategy in Iraq does not really work, there is no convincing alternative. It is unlikely that sending more US troops or handing over power to the Iraqis would make a serious difference. America is in a mess, but so are we. (Moisi 2003)

Leaving aside for now the question of whether there really is no convincing alternative to the US occupation of Iraq, a reasoning along the above lines probably motivated the unanimous UN Security Council resolution of October 16, 2003 that provided the US-led occupation with some juridical legitimacy and called on governments to lend a helping hand. Juridical legitimacy as such, however, was not what the United States was after. Rather, juridical legitimacy mattered primarily if not exclusively as a means of extracting resources from other governments to cover the escalating human and financial costs of the Iraqi occupation. Indeed, the main purpose of rushing the resolution through the UN Security Council was to ensure the success of the "donors conference" that the United States has convened in Madrid for the following week. And it is precisely the poor results of this conference that provide a good measure of the US inability to extract protection payments commensurate to costs even from its best customers.

Despite Colin Powell's attempt to put up a brave front by declaring the conference a success, its most conspicuous outcome was how little it raised relative to expectations, and especially in comparison with what the United States raised for the 1991 Gulf War. Actual donations (that is, grants) were less than one-eighth of the $36 billion target and considerably less than one-fourth of the US's $20 billion pledge. These poor results are all the more striking in view of the fact that, in order to encourage generosity, three days before the conference the United States had reluctantly agreed to set up a fund handled independently from the United States by the World Bank and the United Nations. "We had to act because the international community was stonewalling us on aid," declared a US official who went on to quote Paul Bremer, US's chief administrator in Iraq, as saying "I need the money so bad we have to move off our principled opposition to the international community being in charge" (Docena 2003; Weisman 2003).

The contrast with the financing of the 1991 Gulf War is even more revealing than the contrast with expectations. One of the most striking aspects of the 1991 Gulf War is how the United States managed to persuade other countries–most notably, Japan, Germany and Saudi Arabia–to pay entirely for the war (see, among others, Hobsbawm 1994: 242). One of the most striking features of the Iraqi War, in contrast, is how other countries managed to leave the United States holding the bag. Germany and Saudi Arabia gave virtually nothing–half of the $100 million pledged by Germany in Madrid being its share of the European Union modest contribution. But even Japan's $1.5 billion pledge–by far the largest at the Madrid conference–pales in comparison with Japan's payments for the 1991 Gulf War, which were at least four times as large in nominal (that is, current dollars) terms and many more times as large in real terms. Although the dangers against which the United States offers protection are at least as great as twelve years ago, the price that even the best clients are willing to pay for that protection has contracted sharply.

In part, this sharp contraction is due to the perception that US protection has become counterproductive, either because the United States squeezes some of its clients dry and then leaves them exposed to even greater dangers than the ones from which they have been protected–as in the case of Saudi Arabia; or because US actions are projected to create greater long-term dangers than the present dangers against which it offers protection–as has probably been the case with Germany. In part, however, the sharp contraction in the price that even the best clients are willing to pay for US protection is due to a perception that the need to pay tribute to the United States is less compelling than it was twelve years ago. This perception is far more widespread than the ritualistic respect still paid to US power lets on. But it is probably most important in the case of Japan and other US clients in the East Asian region.

For up to very recently many states in the region still perceived US protection as essential for countering the real or imagined threat that the PRC posed to their security. Today, in contrast, the PRC is no longer perceived as a serious threat, and even if such a threat were to re-emerge, US protection is perceived as unreliable. Moreover, the capacity of the United States to extract protection payments from its East Asian clients has been curtailed by the combination of growing US dependance on East Asian money to finance its huge current account deficit and the reduced dependance of East Asian countries on the US market. Not only is China perceived to be less of a threat to the security of its neighbors. Equally important, it is increasingly perceived as an alternative to excessive dependance on the US market (Perlez 2003b).

V. Tipping the Scales of Global Turbulence

If we now return to the issues raised in *The Long Twentieth Century* and in *Chaos and Governance*, three main conclusions emerge from the analysis of recent tendencies. First, as both books envisaged, the US *belle epoque* seems to have come to an end, and US world hegemony has probably experienced its terminal crisis. The United States does remain by far the most powerful state but its relationship to the rest of the world is best described as one of domination without hegemony.

Second, as *Chaos and Governance* envisaged, the terminal crisis of US hegemony–assuming that that is what we are actually witnessing–has been brought about not by the emergence of aggressive new powers but by US resistence to adjustment and accommodation. US attempts to depict Hussein's Iraq as an aggressive new power never had much credibility, whereas the national security strategy adopted by the Bush administration in September 2002 is a far more extreme form of US resistance to adjustment and accommodation than anything envisaged in *The Long Twentieth Century* or in *Chaos and Governance.* To a far greater extent than in previous hegemonic transitions, the terminal crisis of US hegemony has been a case of great power (attempted) "suicide."

Third, assessments like Moisi's that "America is in a mess, but so are we," can be taken as symptomatic of an emergent situation of systemic chaos. It is nonetheless not at all clear whether this emergent situation is a permanent state–as in one of the three possible scenarios envisaged in *The Long Twentieth Century*–or a transitional state–as in the past hegemonic transitions analyzed in *Chaos and Governance*–or a far less severe and protracted state than experienced in past hegemonic transitions. Particularly significant in countering the tendency toward systemic chaos is the consolidation of the East Asian economic renaissance through the emergence of China as its most dynamic center–a tendency that has been strengthened rather than weakened by US resistence to adjustment and accommodation.

These conclusions do not fundamentally alter the three post-US hegemony scenarios envisaged at the end of *The Long Twentieth Century*.. All three scenarios remain within the realm of historical possibilities. True, the world-empire project is at the moment in the midst of a serious crisis. The project that is in crisis, however, is not the one envisaged in *The Long Twentieth Century*. The world-empire envisaged in *The Long Twentieth Century* as a possible post-US hegemony scenario was a *collective* Western construction. The idea that the United States would embark on such a construction virtually alone, in opposition to the political and economic core of the European Union, was deemed too unrealistic to be worth considering. While not surprising, the crisis of this unrealistic course of action does not rule out the possibility that a reconstituted Western alliance will engage in the more realistic multilateral imperial project envisaged in *The Long Twentieth Century*.. Indeed, the very failure of the US unilateral project may create more favorable conditions for such an engagement both in the United States and in Western Europe.

While a Western dominated universal empire remains an historical possibility, an East Asian-centered world market society appears today a far more likely outcome of ongoing transformations of the global political economy than it did ten years ago. The most important change is the stunning economic expansion of China through the East Asian crisis of 1997-98, the bursting of the new economy bubble, and the crisis of the unilateral US imperial project. As we cautioned in *Chaos and Governance*, such a rapid economic expansion is bound to be punctuated by one or more of those crises that are typical of emerging economic centers. Whether such a crisis (or crises) will undermine or eventually consolidate the regional economic expansion remains an open question. Moreover, there are still few signs that East Asian elites, the Chinese included, are up to the task of opening a path of regional and global development that would be ecologically less destructive and sociologically more sustainable than the US-sponsored path that is now at a dead-end.

These reservations notwithstanding, China already appears to be a potential substitute for the United States as the central market of the regional East Asian economy and beyond. As previously noted, China is rapidly catching up with the United States as the biggest trading partner of the East Asian region. But its importance relative to the United States is growing rapidly even outside the East Asian region. The European Union, for example, forecasts that by 2010 China will probably overtake the United States as its biggest trade partner. A former Merrill Lynch chief economist sees China already playing the role of "global locomotive" along with the United States. Similarly, Nicholas Lardy sees no one else coming close to the Chinese as "global customers." "They've been a big driver of global trade expansion and a significant force in promoting the recovery" (Pine 2003).

Equally important, China has begun to overshadow the United States in the promotion of multilateral trade liberalization. Regionally, it has sought integration with ASEAN by agreeing to a Treaty of Amity and Cooperation, while simultaneously seeking economic ties with Japan, South Korea and India. Globally, it joined Brazil and India in leading the global South's attack at the 2003 WTO meeting in Cancun against the Northern practice of imposing market opening on the South, while remaining fiercely protectionist in lines of production where the South has the greatest comparative advantage, first and foremost agriculture. China's stance contrasts sharply with the US abandonment of multilateral trade negotiations in favor of bilateral free trade agreements aimed at breaking up the Southern alliance that emerged at Cancun, or at gaining support for the Bush administration's War on Terrorism (Smith and Cooper 2003; Kwa 2003).

An East Asian-centered world market society thus appears today a far more likely post-US hegemony scenario than it did ten or even five years ago. This greater likelihood, however, does not rule out either one of the other two scenarios envisaged in *The Long Twentieth Century*.. On the contrary, the very success of East Asia under Chinese leadership to re-center upon itself the global political economy, and to provide the global South with a more equitable alternative to continuing Western domination, may well become the catalyst of renewed Western cohesion in the pursuit of a Western-dominated universal empire. And this reaction, in turn, may succeed or may end up in plunging the world in a period of protracted and severe systemic chaos with or without light at the end of the tunnel.

In this respect, the contention of *Chaos and Governance* that social forces are likely to play a far more decisive role than ever before in shaping both the unfolding hegemonic transition and its ultimate (still unknown) destination, remains valid. As Beverly Silver (2004) has pointed out, the massive anti-war protests of February 2003–"The biggest demonstrations in world history," according to some observers–appear "as an almost intuitive recognition by people around the world (including many in the United States) that what amounts to a new US imperial project, risks precipitating major worldwide chaos." This unprecedented transnational demonstration of popular antiwar sentiment failed in its immediate objective of stopping the war on Iraq. And yet, as Gary Younge notes, it had a lasting impact on how the world's elites and governments themselves came to perceive the war and its aftermath. For one thing,

> the anti-war movement had a decisive impact on exposing the bankrupt rationale of attacking Iraq.... Neither Bush nor Blair would have bothered trying to persuade the UN to give its blessing were it not for the pressure they were under. The fact that they failed showed the war for what it was–a criminal act of military violence expressly executed against the global will. The implications of this exposure are anything but abstract. It explains the reluctance of other nations to relieve America of the burden of clearing up its mistakes, and has left Blair and Bush isolated on the world stage. It contributed significantly to the critical climate that produced the Hutton inquiry and the row over Bush's misleading comments in his state of the union speech. The anti-war movement got the German chancellor, Gerhard Schröder, re-elected, and has pushed the centre of gravity in the Democratic primaries in [an anti-war] direction.... True, none of this has saved Iraqi lives. But with ratings for Bush and Blair plummeting, it may keep Iranians, North Koreans or whoever else they are considering bombing out of harm's way. (Younge 2003)

Moreover, the anti-war movement's perception about the War on Terrorism has proved correct. It claimed that "the bombing would not stamp out terrorism–the atrocities in Bali, Jakarta and Mombasa show it hasn't–but fuel resentment that would create more terrorists; and Iraq is a far greater threat to global security than six months ago." It claimed that "the war was a bad idea, even if Saddam did have weapons of mass destruction–given enough time the inspectors would have found them. News that he didn't have them blows away the final fig leaf and leaves the emperors naked." Not one national poll, including in the United States, supported a US-led war without UN support. That it happened "exposed the global crisis in democratic legitimacy" (Younge 2003).

In short, pace Stinchcombe, even at the level of the global system, the legitimacy of power holders depends in critical ways, not just on the assent of other power holders, but also on the assent of those on whom power is exercised. True, the impact of the assent or dissent of the governed is mediated and filtered by the perceptions and actions of power holders. But at least in the case under examination, the mediation and the filtering have not prevented the dissent of the governed from making it much harder for the United States to embark on new wars as means of staving off economic decline. Indeed, to return to the question that we left open at the end of *Chaos and Governance*, the mass anti-war protests of 2003 augur well for the possibility that social movements will preemptively work toward containing systemic chaos, rather than largely following and being shaped by the escalation of violence as was the case in past hegemonic transitions.

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