

WESTERN EMPIRES,
CHRISTIANITY, AND THE
INEQUALITIES
BETWEEN THE
WEST AND THE REST
1500–2010

**SAMPIE
TERREBLANCHE**

WESTERN EMPIRES

**CHRISTIANITY AND THE
INEQUALITIES BETWEEN THE
WEST AND THE REST
1500–2010**



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THE MULTIPLE AMERICAN POST-COLONIAL EMPIRES THAT INCONSPICUOUSLY DISRUPTED, EXPLOITED AND DRAINED THE REST OF THE WORLD AFTER THE SECOND WORLD WAR

15.1 United States' expansionism from the eighteenth until the twenty-first century

Americans have not been prepared – at least not until recently – to acknowledge that the United States has ever been an empire. During the Cold War the concepts of empire and imperialism had negative connotations derived from Lenin's theory of imperialism. In this period the Americans regarded the United States' position in the world as one of *primacy, leadership or hegemony*. We can, however, put forward the argument that the white inhabitants of North America were already strongly disposed towards territorial expansionism in the decades immediately before and after the American War of Independence (1775–1783).

After the Seven Years War (1756–1763) the British government drew a line west of its American colonies to close off all the land to the west of the Allegheny Mountains to settlement by whites. The purpose was to prevent white settlers from penetrating the large area inhabited by the Amerindians and to protect the Amerindians against molestation by the settlers. The settlers had at that time already shown a strong inclination to move into that area.

The blocking by the British of a westward movement of settlers was an important cause of the American War of Independence. After independence in 1783, the new republic immediately embarked on the annexation of land west of the Alleghenies. Motivated by a strong imperialistic spirit inherited from their erstwhile British imperial masters, the settlers started an aggressive westward movement of land buying, land grabbing and territorial expansion. During this westward movement the Amerindians were swept out of the way and ultimately almost exterminated. The westward expansion of American territory under control of the settlers continued until the twentieth century. Today the original 13 colonies constitute only 7 per cent of the territory of the United States in 1783.⁴⁰⁴

The new republic's westward expansionism, land grabbing and 'accumulation by dispossession' (Harvey, 2003) of land occupied by the Amerindians

were exceptionally cruel. Supported by about 30 million new European immigrants, the westward occupation of the North American continent in the nineteenth century was extremely violent. Giovanni Arrighi (2007: 247–248) describes US expansion as follows:

The ‘continent-sized island’ had long been in the making. It was the spatial product of the century-long process of territorial seizure and occupation through which the US had ‘internalised’ imperialism from the very beginning of its history ... If the continent-sized US ‘island’ was created through massive human and environmental destruction, it was the transport revolution and industrialisation of war of the second half of the nineteenth century that turned it into a powerful agriculture-industrial-military complex with decisive competitive and strategic advantages vis-à-vis European states.

According to Martijn Konings (in Panitch and Konings, 2009: 50), the United States was an imperial power at home long before it was an imperial power in the world:

[The United States’] nineteenth-century expansion was marked by a speed and rapaciousness that has few precedents in world history and contrasts starkly with America’s relative lack of interest in overseas territorial expansion. This ‘internal’ expansion was a profoundly bloody affair that obliterated entire civilisations and was, from the beginning, at the heart of the political projects of the American ruling classes. At the same time, however, America’s imperialistic impulse was driven by and justified in terms of unusually progressive objectives of modern ideas, i.e. the maintenance of popular independence and republican self-government rather than the glory of the crown.

The first century of American expansionism – or territorial imperialism – was strongly motivated by Christian and racial considerations. Thomas McCarthy (2009: 71–72) claims that the new republic widely understood itself as ‘a religious-political project’. He continues:

The self-understanding of the Puritan colony [in North America] as a new Israel – whose exodus to this promised land sealed a new covenant with God, and which in its ascetic Christian purity would light the way to regenerate a corrupted humankind – was combined after the Revolution [1775–1783] with a robust self-consciousness of being the first genuine republic, founded on the natural rights of man and guaranteeing the liberty of all its citizens. Thus America came widely to understand itself as a *religious-political* project of world-historical significance, providentially assigned to lead the way to a ‘new order of the ages’ as the motto of the Great Seal put it ... The multiple streams of thought flowing into Ameri-

ca's sense of being a *providential* nation were powerfully reinforced by its extraordinary bounty and mounting successes, beginning with the defeat of the world's greatest military power [Britain] and the doubling of its size through the Louisiana Purchase not long thereafter.

For the first almost 200 years after the Revolution (1775–1950) the Americans personified, on the one hand, the first great experiment with democracy, but on the other hand, the perpetuation of racism and Christian imperialism. This kind of contradiction became a typical characteristic of the United States. 'Manifest destiny' was the term used in the nineteenth century to designate the belief that the United States was destined, even *divinely ordained*, to expand across the North American continent.⁴⁰⁵

Jorge Nef and Reiter (2009: 145) argue that the ideology of the Monroe Doctrine was the rationale for persistent US intervention in Central America and the Caribbean. The Monroe Doctrine represents the 'self-appointed and unilateral role of the US as a defender of the Hemisphere'. They continue:

The venue has ranged from gunboat and dollar diplomacy, to clandestine operations, to coups d'état. The justification has varied depending on the international conjuncture: fighting possible European intrusions, communist penetration or terrorism. This pattern of intervention has been a major contributor to instability and to the inability of democracy to develop and set roots.

In the second half of the nineteenth century the Americans eagerly accepted Herbert Spencer's idea of a racial hierarchy with a *divine* origin that was a sufficient justification for racial discrimination and for the subjugation and exploitation of non-European peoples in the United States by Europeans. Nobody made a greater contribution towards giving racism a transcendent dimension than Herbert Spencer with his notion of Social Darwinism. According to the tenets of Social Darwinism, human history is the story of the survival and improvement of the white/European race at the expense of all the black/brown/non-European races. At the turn of the twentieth century the belief in the scientific status of *biological* racism ruled supreme in the Western world and especially in the United States (see McCarthy, 2009: 70–82; Fleischer, 2004: 86–91). (See section 4.4.3.)

After the ideology of *biological* racism had been driven to its absurd extreme by the Nazi propaganda machine, the Americans replaced *biological* racism with the ideology of *cultural* racism (or neo-racism) in the second half of the twentieth century. In accordance with the ideology of *cultural* racism the inferiority of black people in the United States was no longer ascribed to *biological* or inborn factors, but to *social* and/or *institutional* factors that retarded their development. Just as the natural science of biology was used in the nineteenth century to prove the theory of *biological* evolution that accounted for the inferiority of black people, so in the second half in the

twentieth century the social sciences, such as sociology, were used to prove the theory of *cultural* evolution to account for the inferiority of black people (see Fredrickson, 2002: 141–142).

Before the US could build its unique and invisible empire after the Second World War, it had to resolve a dilemma it had created for itself. According to Michael Cox (in Colàs *et al.*, 2006: 121), ‘one of the US’s primary objectives in the twentieth century has involved support for the right of self-determination’. But when the USA supported the creation of new nations and the termination of Western empires, it did not do so – according to Cox – out of pure Wilsonian idealism, ‘but because it realistically calculated that the break-up of other empires was likely to decrease the power of rivals while increasing its own weight in a reformed world system’. When the decolonisation of European empires was completed in the 1970s, the underdeveloped post-colonial world represented a space in which the USA could establish its American-led, post-colonial, neoliberal, global capitalist empire; an empire that was extraordinarily advantageous for the USA, but very much to the disadvantage of large parts of the erstwhile colonies in the Restern world (see next section).

15.2 America’s first maritime empire from 1898 and its informal interventions in Latin America

The United States gained its first extra-continental or maritime colonies and dependencies after it declared war, on dubious grounds, on Spain in 1898. During this war the United States seized Cuba, Puerto Rico, Guam, Wake Island and bought the Philippines from Spain, annexed Hawaii and became a big player in the inter-empire rivalry between European empire-building countries. It announced its ‘open-door’ policy towards China and sent troops to put down the Boxer Rebellion there. From early in the twentieth century President Theodore Roosevelt acted with increasing aggressiveness in Latin America to expand America’s so-called ‘dollar diplomacy’ or neo-imperialism behind the shield of the Monroe Doctrine (Burbank and Cooper, 2010: 321–324).

From the end of the Civil War until the outbreak of the First World War the United States economy grew at an astonishing pace. In 1913 the United States’ share of World GDP and of total world manufacturing was already larger than that of any other country (Table 4). The second Industrial Revolution took place from 1870 with Germany and the United States as pioneers. When Germany’s pioneering role was ended by the First World War, the United States continued with its leadership role in industrialisation in the twentieth century.⁴⁰⁶

Before the First World War the United States was heavily indebted to Britain. At the end of the war the United States had bought back at bargain prices the massive foreign investments which had built up its continental infrastructure. Although the United States entered the First World War only

in 1917, this proved to be extraordinarily advantageous for the country. A huge market for American agricultural and industrial products was created in Europe during the war and during the post-war period.⁴⁰⁷

During the First World War Britain had no choice but to scale down its indirect endeavours in Latin America. Britain's withdrawal created the opportunity for the American corporate sector to infiltrate Latin America much more aggressively than in the second half of the nineteenth century. This strategy of the American transnational corporations in Latin America was an early demonstration of the important role these TNCs were destined to play in Europe and in the Rest of the world after the Second World War. During the first half of the twentieth century American TNCs were actively involved in the cultural and economic *Americanisation* of Latin America. American TNCs 'invaded' Latin America so aggressively in the first half of the twentieth century that by 1950 300 American *corporations* accounted for more than 90 per cent of American direct investment holdings in Latin America (Frank, 1971: 327).⁴⁰⁸

The US intervention in Latin America during the first half of the twentieth century created an opportunity for it to launch the transnational corporation as a typical American business organisation that was destined to play an extraordinarily dominant role in the American-led empires in the period after the Second World War. Noam Chomsky (1996: 71–73) claims that private business corporations in the United States were not created by legislation of the American Congress, but by private litigation early in the twentieth century. He puts it as follows:

[T]he extraordinary power that [private] corporations and financial institutions enjoy was not the result of popular choices [in political assemblies]. It was crafted by courts and lawyers [in the USA] in the course of the construction of the developmental state [in the early twentieth century] that served the interests of private power and extended [that power] by playing one state against another [in Latin America] to seek special privileges ... [These corporations as] forms of private tyranny only reached something like their current form, with rights of immortal persons, early in the [twentieth] century.⁴⁰⁹

What started as American private corporations, created through litigation early in the twentieth century for exploitative imperial operations in Latin America, have in the twenty-first century multiplied to about forty thousand TNCs worldwide that play a hegemonic role on behalf of the United States in economic, political and cultural imperialism in the rest of the world. In the first three decades of the twentieth century the United States concentrated on mass production by making the principles of Fordism and Taylorism applicable to production and by increasing the productivity of industrial labour. During the Roaring Twenties the total production of agricultural and industrial output increased at such a rapid pace that Americans became increasing-

ly concerned about the availability of markets – domestically and externally – in which they could sell or dump their surplus industrial and agricultural products.

This concern of the 1910s and 1920s became a deep-seated obsession during the Great Depression of the 1930s with the idea that American production capacity had become too big and that the United States would indeed be permanently haunted by *over-capacity and over-production*. A conviction developed in the United States that drastic measures would have to be taken to address these problems.⁴¹⁰ Three such measures were implemented – over and above the New Deal policy of President Roosevelt – to solve the strong tendency toward over-capacity and over-production. These three measures proved to be decisive for the pattern of American empire-building in the twentieth century.

The first measure was to empower TNCs to infiltrate Latin America (and in due course other countries) in search of profitable new investment opportunities and to open up markets in which the surplus industrial and agricultural products could be sold. The second measure was to launch aggressive advertising and marketing programmes to convince consumers to save less and to spend more on consumer goods. The third measure was to use the banks and other financial institutions to supply consumers with credit on easy terms. When the institutions of *transnational corporations* and the phenomena of *consumerism* and *consumer credit* on easy terms emerged in the early twentieth century, nobody could have predicted the dominant role they were destined to play in the American version of capitalism and in American empire-building in the second half of the twentieth century. These phenomena were foreign to Western Europe during the first half of the twentieth century.

The upper class in the United States in the early twentieth century, much like that in Britain in the nineteenth century, was very much inclined to save a large portion of its income to become members of a rentier class.⁴¹¹ It was not easy to convince Americans that it was in their individual and in their country's economic interests to spend as large as possible a portion of their income on consumer goods. What complicated matters was that the Americans were inclined towards principles of frugality in accordance with the moral convictions of the Puritans. It was also not easy to convince them to forsake their Judeo-Christian thriftiness. Consequently it was necessary for the business sector at the time to launch a massive campaign to convince Americans to accept consumerism and to embrace the idea of a mass consumer society.⁴¹²

From the early twentieth century the advertising (or consumerist) industry became not only an integral part of modern capitalism, but also one of the largest industries in the United States and in other Western countries. With the acceptance of consumerism above rentiership, American capitalism underwent a radical metamorphosis by comparison with British capitalism in the nineteenth century. In the American economy of the twentieth century US corporations increasingly became transnational corporations. At the same time they also became increasingly involved in the production of large quan-

tities of consumer goods and in propaganda campaigns to convince consumers – local and foreign – to satisfy not only their rational needs but also their artificially created desires.⁴¹³

The consumer and financial revolutions that took place during the early twentieth century changed the character and the dynamics of capitalism forever – first in the United States and, in due course, in the rest of the world. Since then the advertising and financial industries, with the aid of the mass media and all the seductiveness of consumerism, have no longer been selling goods *but happiness* to customers, *consumers who are assumed to be never satisfied or contented* (see Osborne, 2006: 429). The export of the ‘consumerist revolution’ from the United States to Europe, which was a developed continent, made sense. (See section 15.5.) But to export the high-consumption economy and soft consumer credit to the Restern world – where per capita income from 1950 until 2003 was always less than 20 per cent of the per capita income of the West – was pure madness. It intensified the destitution of billions of people in the Restern world.

During the first half of the twentieth century the United States used the Monroe Doctrine to expand its maritime empire fairly aggressively in Latin America and Canada. At the time when Europe was being torn apart by the Thirty-One Years War, the Americans were experimenting with new versions of *indirect* imperialism in Latin America, Canada and the Philippines. During these imperial endeavours the Americans exported their newly created TNCs and their new living pattern of consumerism and easy consumer credit to Latin America. *The phenomena of corporatism, consumerism and financial services brought about a fundamental cultural Americanisation in Latin America.* After the Second World War the United States would also export its *corporatism*, its *consumerism* and its *financial services* – i.e. the American version of capitalism – to Western Europe, and from the 1980s to the rest of the world.

15.3 The consolidation of the United States’ administrative, fiscal and financial powers in the eighty years after the Civil War to enable the USA to lead ‘invisible’ and ‘unique’ empires after the Second World War

The post-colonial empires that were built up by the USA after the Second World War are, according to Panitch and Konings, (2009: 2), ‘*qualitatively* different from previous [Western] forms of empire, which were based on colonial rule and the *geographical* transplantation of the authority of the formal state’. While other Western empires were visible and formal, the American-led empires after the Second World War were *invisible, informal and unique*. According to Panitch and Konings (2009: 2–3), American-led empires after the Second World War ‘assumed the form of a more subtle process of socio-economic interpenetration and informal political domination’. They put it as follows:

The difficulty of grasping [the] *elusive, tacit* quality of American power [after the Second World War] is borne out by the fact that it is rarely explicated in concrete historical terms ... What tends to get lost [in studying the American-led empires] is the distinctive nature of *American international economic power*. For it is precisely its *hard-to-pin-down, indirect quality that allows American economic power to straddle the globe, and endows American policies with the [global] leverage they possess* ... The relations between *financial globalisation and the United States state* are internal and mutually constitutive. The *global markets* and the *American state* are not separate entities ... *They are connected through a dense web of organic institutional linkages* ... [Consequently], *finance [or American financial power] epitomises the unique quality of American power* ... America's financial strength allows the US state to attract capital and run massive budget and payment deficits and as such constitute a crucial element in the [imperial] power of the American state at large. (Italics added)

David Sarai (in Panitch and Konings, 2009: 71–74) claims that since the second half of the nineteenth century there has been a close structural connection between *financial capital* and the *US Treasury*. While the Treasury's central responsibility is financing the American state through taxation and borrowing, its exclusive role in *debt management* brings it into close contact with financial markets. In due course the Treasury's management of the national debt in globalising American financial markets shaped its role in managing the dollar globally.

The heavy financing required for the Civil War necessitated close cooperation between the Treasury and the national banking system, which brought the Treasury into a central position within the New York money market. American banks after the Civil War turned away from classic commercial and mercantile banking towards what was already distinctly identified by the turn of the twentieth century as a form of financial banking, based on the investment of funds in the stock market. This was the beginning of what in due course became known as the *Dollar-Wall-Street-Bretton-Woods regime* (see Sarai in Panitch and Konings, 2009: 74–83).

Parallel to the development of a unique banking system and close cooperation between the financial markets and the Treasury, the US government played a much more *interventionist* role – than was the case in Britain, for example – in stimulating capitalist development in the half century before the First World War. The Federal government installed tariff measures to stimulate agricultural and industrial development – especially in the northern states. The USA maintained its protectionist policies until 1945. The Federal government participated actively in the westward expansion by subsidising infrastructural and especially railway development towards the Pacific.⁴¹⁴

When the First World War broke out, the United States was still a debt country. Both the public and the private sector borrowed huge amounts in Western Europe to build infrastructure in America. During the war the USA

became a credit country as Britain and the other warring countries had to liquidate their investments in the United States to pay for their war. Although at the end of the First World War the United States was financially and economically in a strong position to play a supportive role in the reconstruction of Western Europe, it chose not to play such a role. The reluctance of the United States to take responsibility for leading the reconstruction of Europe after the First World War is usually ascribed to its strong *isolationist* tradition during the nineteenth century. But Leo Panitch and Sam Ginedin (in Colás and Saull, 2006: 27) argue that, ‘the failure of the United States to take responsibility for leading European reconstruction after World War I ... [should] be blamed on the incapacity of the American *presidential, treasury and military* apparatus’ at that time.

Although the United States was in a fairly strong financial and economic position after the First World War, it decided after the war that it had no *moral* responsibility to support Western Europe. Michael Hudson (2003: 3–5) describes this *myopic* and *inward-looking* attitude of the United States after the First World War as follows:

The US, and specifically its government, emerged from the war not only as the world’s major creditor, but a creditor to foreign governments with which it felt little brotherhood. It did not see its dominant economic position as obliging it to take responsibility for stabilising world finance and trade ... The [US] government did not seek to create a [financial] system capable of extending new loans to foreign countries [in Europe] to finance their payments to the United States. Nor did it lower its tariffs so as to open US markets to foreign producers as a means of enabling them to pay their war debts to the US Treasury ... *By insisting on repayment of its allies’ war debts in full and by simultaneously enacting increasingly protectionist tariffs at home, the US government made repayment of these [war] debts impossible ...* On both the trade and financial fronts the US government pursued policies that impelled European countries to withdraw from the world economy and turn *within* [as the US was doing] ... [America’s] status as world creditor proved ultimately worthless as the world economy broke into [hostile] nationalist units [during the 1930s]. (Italics added)

During the interwar period and the Second World War the multiple crises that occurred in Western Europe and in the United States led to dramatic improvements in the capacity of the US Treasury, US financial institutions and US military power. As a result of these remarkable institutional developments, the US was in a much stronger position after the Second World War to play an active role in the reconstruction of Western Europe. In 1945 the United States was in such a strong position vis-à-vis Western Europe that it could integrate Western Europe economically, financially, militarily and culturally into a ‘colony’ of the United States.

Given the weak socio-economic and politico-ideological conditions in Western Europe after the Second World War, the United States had no choice but to take responsibility for rescuing Western Europe countries – not only from their economic predicament, but to protect them against the communist threat. The only way the United States could rescue Western Europe in the post-war era was to integrate it as an informal ‘colony’ of an American-led *social democratic* capitalist empire. (See section 15.5.1 below.)

Although there can be no doubt about the imperial ambitions of the United States at the time, the *Americanisation* of Western Europe in the post-war period took place so unobtrusively that it could be said Western Europe became a part of the American-led social-democratic empire by *invitation* and *consensus* (see Lundestad 2004: Chapter 2; Maier 2006: Chapter 6). Forthwith, there can be no doubt that Western Europe was culturally and economically thoroughly Americanised during the third quarter of the twentieth century (see De Gracia 2005: Introduction). In contrast to European empire-building in the Restern world before the First World War, American imperialism in Western Europe during the third quarter of the twentieth century was not exploitative but supportive. It nonetheless brought about a thorough *Americanisation* of Europe. This Americanisation was regarded in some European cultural circles in a rather negative light (see below).

The integration of Western Europe into the economic and financial structures of the United States was so advantageous for both the United States and Western Europe that the question arises why a similar integration did not occur after the First World War. In January 1918 President Wilson of the United States made a plea in his ‘Fourteen Points’ speech for a new international order that would end the century-long conflict among the European capitalist states. The nation-state system introduced by the Treaty of Westphalia in 1648 created the framework in which nation-state capitalism, or national capitalism, developed in each of the Western European countries. Competition between the multiple national capitalist countries led to the mercantilist wars in mainly the eighteenth century and also to the imperialist rivalry during the period of high imperialism in the thirty years before the First World War that ultimately ushered in the Thirty-One Years War. This war was a European civil war that destroyed the interstate system that had been created at Westphalia.

In 1918 President Wilson envisaged a new international order in which conflict and warfare among countries espousing nation-state capitalism would be eliminated. Wilson’s plan was unfortunately too idealistic and too futuristic and could not be implemented. On the one hand, the tendency towards isolationism was still too strong in the United States, while in Western Europe the tendency to perpetuate nation-statism and the Westphalian system was also still too powerful. It remains a tragedy, nonetheless, for the Western world that Wilson’s plan was not implemented after the First World War.

In the twenty-five years from 1920 until 1945 important events happened

on both sides of the Atlantic that encouraged the integration of Western Europe as a colony of an American-led capitalist empire. The German financial system collapsed during the hyper-inflation of 1923. Britain's return to the gold standard in 1925, at the same exchange rate as in 1914, was a huge mistake that ultimately led to the Great Depression. During the Great Depression the financial centre of the world started to shift from London to New York. In the exchange rate instability of the 1930s the cooperation that already existed between the United States government, the Treasury and the Federal Reserve System became even closer. Martijn Konings (in Panitch and Konings, 2009: 55) describes the development of *financial power* in the United States through the New Deal money market as follows:

The New Deal response to the Depression was a critical episode in the reconstitution of the American state and the making of United States 'financial imperialism'. It was marked not by an ambition to restore the relatively restrictive financial conditions of nineteenth-century liberalism, but rather by the idea that *the expansionary dynamics of American capitalism needed to be actively managed ...* The New Deal reflected an acute awareness of both the potential benefits of the hegemonic integration of the American population into the financial system *and the fact that the volatility of financial expansion needed to be managed through modern policies of macro-economic stabilisation.* (Italics added)

The New Deal took the United States off the gold standard, devaluing the dollar and giving the Treasury responsibility for the newly created exchange stabilisation. As United States government debt increased sharply during the Depression and the Second World War, the Treasury had the task of issuing large numbers of United States Treasury bills and managing them on the New York money market. The Treasury became an important asset in the American financial system that was destined to play a key role in the two American-led financial empires that were created in the period after the Second World War. (See next section.)

The Bretton Woods Agreement of 1944 envisaged a multilateral system of trade and payments organised around the dollar and gold as key currencies. The system of fixed exchange rates in the Bretton Woods system made it necessary for the European central banks to hold large reserves that they could use to maintain the par value of their currencies. Instead of holding their reserves in gold, the practice developed of also holding dollar assets in the form of US Treasury bills that became highly liquid and also paid interest. In this way the role that the US Treasury bills played in the post-war world was very much enhanced.

The Great Depression and the collapse of capitalism in Western Europe during this period convinced the United States government that it would be in the country's own enlightened self-interest if the relationship between itself and Western European countries did not continue on the semi-hostile basis

that it had almost uninterruptedly in the late nineteenth and early twentieth century. During the 1930s and early 1940s the USA became convinced that it would have to play a leadership role in rebuilding the capitalist system in Western Europe. During the New Deal the American government developed the *administrative, financial and ideological* capacities that it needed to lead *informal* Americanised empires in Europe and in the Restern world in the third and fourth quarters of the twentieth century. Martijn Konings and Leo Panitch (in Panitch and Leo Konings, 2009: 230) describe the importance of the New Deal for the role the United States was destined to play after the Second World War as follows:

The New Deal was ... crucial to the nature of the imperial project embodied in the post-Second World War US state ... We can only fully understand the dynamics of post-war international finance ... if we have a proper understanding of the transformation of the American state during the New Deal and the war ... The transformation of the American state was far more complex than can be captured in ... the standard conceptualisation of markets vs. state ... *The wartime American state, strengthened by the capacities it developed through the New Deal, effectively rewrote the rules of global finance as part of its planning for the post-war world.* Insofar as the Treasury's Keynesian economists took the lead in this, this involved no little tension with Wall Street. But the compromises that emerged ... in the Bretton Woods Agreement ... need to be understood ... as an overall 'grand truce [of government] with business'. (Italics added)

In a joint statement in 1942 the editors of *Fortune*, *Time* and *Life* magazines called for a 'new American imperialism', whose goal would be 'to promote and foster private enterprise, by removing the barriers to its natural expansion' through the creation of 'an *expansionist* context in which tariffs, subsidies, monopolies, restricted labour rules ... and all other barriers to further expansion can be removed ... American imperialism does not need *extra-territoriality* ... This American imperialism sounds very abstemious and high-minded'. This version of American imperialism envisaged by the editors was strikingly similar to the *laissez-faire* system the British tried to introduce in the mid-nineteenth century (*Fortune Magazine*, 'An American proposal', May, 1942: 59–63).

Strongly under the influence of Henry Luce and his magazines, United States officials were structuring the IMF and the World Bank to enable countries to pursue *laissez-faire* policies, policies that would ensure adequate resources for financing international payment imbalances that were anticipated as a result of opening their markets to United States exports after the return to peace. It was believed early in the 1940s that *laissez-faire* free-trade and investment would settle into a state of balanced international trade under United States leadership (see Hudson 2003: 10).

The idealistic plans of the Roosevelt administration to re-establish a world

with a laissez-faire system after the Second World War had to be abandoned when it became apparent in 1946 that Britain was on the brink of bankruptcy and that the United States had to bail it out with a large loan. When the Cold War broke out in 1947, the United States Congress was prepared to support an anti-communist agenda instead of building a world-wide laissez-faire economy. According to Hudson (2003: 12–13), it became apparent in 1946/1947 that:

Congress would not appropriate funds to finance a quasi-idealistic world-wide transition to laissez-faire, but it would provide money to *contain* Communist expansion, conveniently defined as being virtually synonymous with spreading poverty-nurturing seedbeds of anti-Americanism ... International policies henceforth were dressed in anti-Communist garb in order to facilitate their acceptance by non-liberal congressmen whose sympathies hardly lay with the laissez-faire [group] that had afforded the earlier window dressing for the government's post-war economic policy.

Congress's anti-communist stand meant that by the end of the 1940s it was prepared to provide the Western world with the Marshall Plan, to enter into domestic and international social democratic accords with Western Europe, and to launch the North Atlantic Treaty Organisation (NATO). Instead of the international New Deal that was envisaged by Roosevelt for the post-war world (which could have included the Soviet Union), the system that was institutionalised in 1946–1950 was the global Fair Deal of President Truman, which very decidedly excluded the communist world (see Arrighi and Silver 1999: 202–211).

Michael Cox (in Colás and Saull. Eds., 2006 114–117) claims that, 'one of the remarkable features of American intellectual life since the end of the Second World War has been its preoccupation with the issue of *power* and whether or not the United States continued to possess enough of this vital commodity to underwrite stability in the wider international system'. He continues:

In a world of uneven strategic competition, where the United States faced a much overstated menace in the shape of the Soviet Union, Washington successfully managed to unite former enemies, mobilise its own people, contain the foreign policy ambitions of others, and pump-prime the larger world economy with regular injections of large-scale military spending that kept a once less than convincing capitalist show on the road ... [After 65 years of American imperialism] in an age of unparalleled United States dominance and global terror, it looked as if the United States had now arrogated to itself the international role of *setting standards, determining threats, using force and meeting out justice*. (Italics added)

In the following three sections (15.4, 15.5 and 15.6) we are going to undertake critical analyses of several closely interconnected American-led empires constructed by the United States in the more or less 70 years since the Second World War: (i) two American-led financial empires; (ii) two American-led capitalist/corporatist empires; and (iii) several American-led empires of military bases, globalisation and, ultimately, of a militarism that operates without international legitimacy.

15.4 The two American-led financial empires after the Second World War

The United States experienced astonishing economic growth and industrialisation during the first half of the twentieth century. Its triumphal progress was interrupted by the Great Depression (1929–1933), when its GDP declined by a third and its rate of unemployment rose to 25 per cent. But in spite of this setback, its position of power and prestige by 1945 was tremendous. According to Geir Lundestad (2004: 27), ‘American strength after the Second World War rested on four pillars: its vast *economic* superiority, its substantial *military* lead, the broad *domestic* base for the foreign policy pursued, and America’s strong *international-ideological* support [in the non-Communist world]’.

The tariff protection that the United States maintained in the 1920s and 1930s was an enormous stimulus for the American economy up until the Second World War. In 1945 the United States occupied a unique position amongst Western empire-building countries. While European empires collapsed during the Thirty-One Years War, the United States emerged as the hegemonic power in the non-communist world and was in an ideal position to launch a new pattern of *invisible* empires.

The United States was involved in the Second World War to a greater extent than in the First World War. While the Second World War was even more destructive for the other warring countries than the First World War, for the United States it was more advantageous. During the Second World War the United States economy grew at a rate of roughly 10 per cent per annum – faster than ever before or ever since.⁴¹⁵

At the end of the Thirty-One Years War socio-economic conditions in Western Europe were in a disastrous state. There was a real danger that some of the Western European countries could experience total implosion. What complicated matters further was that Western Europe was living under the threat of Soviet expansionism. Politics in Western European countries were still very much polarised between far-right- and far-left-wing formations, and in several Western European countries a large part of the trade union movement was under the control of the communists.

From 1947 onwards the international order was dominated by the Cold War between the capitalist West and the communist bloc, each side grouped around the two new superpowers: the United States and the Soviet Union. According to Richard Overy (2008: 291), ‘the roots of the Cold War lay in

the Russian Revolution of 1917. Communism, with its belief in its own inevitable domination of the world, was seen as a profound threat to the world capitalist system ... [After the defeat of Hitler] the West saw in Soviet Communism the spectre of a second authoritarian system, while for its part the USSR believed it had helped to defeat one form of capitalist imperialism only to be confronted with [another] in the form of the United States of America'. The Berlin Blockade (1948–1949) was the first major international crisis of the Cold War era. The United States committed itself in 1950 to containing communist expansionism and lent support to countries fighting wars against the communist threat, especially in Korea (1950–1953), and during the Vietnam War (1961–1975), while the Cuban crisis (1962) stemmed from the same commitment. The United States was on the losing side in the Egypt-Israeli War (1973) and in the Vietnam War. These defeats were part of a period of mild systemic chaos that was experienced by the United States from 1968 until 1981. (See section 15.5.2 below.)

It is necessary that we distinguish between two American-led financial empires in the 70 years after the Second World War. The first American-led financial empire was deployed during the original Bretton Woods period that stretched from 1944 until 1971, when the dollar was based on the gold standard. This first financial empire existed parallel to the American-led *social democratic* capitalist empire in Western Europe that emerged after the Second World War. (See section 15.5.1 below.) The second American-led financial empire was deployed in the decades after the 'Volcker Shock' (1979–1982) and after the American-led neoliberal capitalist empire was launched during the 'Volcker-Reagan recession' in the early 1980s.⁴¹⁶

According to Panitch and Konings, (2009: 19–20), the Bretton Woods years (1944–1971) should in a number of respects be regarded as the cradle of the global financial order that eventually emerged in the last two decades of the twentieth century. The second American-led financial empire could not have emerged if the United States had not been successful during the third quarter of the twentieth century in overcoming the fragmentation of Western capitalism into rival empires, as had happened during the nineteenth and early twentieth centuries. Panitch and Konings (2009: 19) are of the opinion that 'the unique informal [financial] empire' that the USA fashioned after the Second World War 'was characterised, most notably, by the United States state's economic penetration of, and close institutional linkages with, the other advanced capitalist states. This [American-led capitalist empire] was an imperial order very different from the [imperial orders] that had been characterised by the ties that Western European imperial states maintained with their colonies in the pre-First World War era [i.e. from circa 1530 until 1914]'.

15.4.1 The first American-led financial empire, when the United States was a credit country with a growing balance of payment deficit (1946–1971)

The first American-led financial empire was formally inaugurated with the loan that the US Treasury put at the disposal of Britain in 1946, when Britain was on the brink of insolvency. The Marshall Plan of 1949 drew all the countries of Western Europe into the sphere of the American-led financial empire. The purpose of the Marshall Plan was to supply Western Europe with the purchasing power to buy the surplus of American industrial and agricultural goods after the war, to protect European countries from the communist threat and to rebuild their domestic economies.

Given the USA's traditional tendency towards isolationism, the Truman government provided Congress with 'an anti-Communist national security hook on which to drape post-war foreign spending programs', according to Hudson (2003: 12). He continues:

Dollars were provided not simply to bribe foreign [or Western European] governments into enacting Open Door policies, but to help them fight Communism which might threaten the United States if not nipped in the bud. This red spectre was what turned the tide on the British loan, and it carried Marshall Aid through Congress, along with most subsequent aid lending down through the present day.

Since the Americans were prepared to put so much liquidity at the disposal of Western Europe after the Second World War, Western Europe in effect became a financial colony at the invitation of the American-led financial empire. This financial empire gave extraordinary powers to the United States government, the Federal Reserve System and the United States Treasury, by means of the Bretton Woods system, to control Western Europe and the rest of the non-communist world in an invisible yet rather effective way. Through this financial empire the United States acquired considerable financial leverage over Western Europe and over the non-communist Third World countries in the Restern world. The leverage provided by the Dollar-Wall-Street-Bretton-Woods-System survives to this day in the hands of the Americans.

The weakness of the economic and financial situation in Europe was much greater in 1945 than the United States had originally anticipated. It would not have been possible for the Truman government to supply Western Europe with so much liquidity if it were not for the outbreak of the Cold War in 1947. The United States realised immediately after the Second World War that a return to currency convertibility between Western countries would not be attainable if the United States did not take the initiative to organise a multilateral system of trade and payment in the Western world with gold and the dollar as the key currencies.

Leo Panitch and Gindin (in Panitch and Konings (eds), 2006: 28–29)

claim that after the Second World War the USA managed to integrate all the other capitalist powers 'into an effective system of coordination under its aegis'. This is something that Britain had been unable to do in the late nineteenth century. They continue:

Most important ... was the immense attention the Treasury and State Department paid during the war to planning for relaunching a coordinated liberal trading system 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 that 50% of world production was now accounted for by the US economy ... The dense institutional linkages that bound the [the European] states to the American empire were institutionalised ... not only through the institutions of Bretton Woods, but also through those of NATO, not to mention the hub-and-spokes networks binding each of the other leading capitalist states to the intelligence and security apparatus of the US as part of the strategy of containment of communism during the Cold War.

Michael Hudson (2003: 23) is of the opinion that while private enterprise (i.e. private capitalist corporations) took the initiative in European empire-building from 1648, the United States government actually became the pacesetter or the track-laying vehicle in American-led financial, capitalist and militaristic imperial endeavours in the third quarter of the twentieth century. He puts it as follows:

[T]he roots of modern international economic relations [are to be found] ... not in the corporate sector ... [but in] the *US government* pressure on central banks and on multilateral organisations such as the IMF, World Bank and World Trade Organisation. Already in the aftermath of World War I, but especially since the end of World War II, *intergovernmental* lending and debt relationships among the world's central banks have overshadowed the drives of private sector capital. (Italics added)

During the Second World War the United States realised that it could not use its position as the world creditor in the period after the Second World War as it had used (or misused) its creditor status in the period after the First World War. At the end of the Second World War the United States took the initiative in, and the responsibility for, forming the United Nations and the Bretton Woods institutions to ward off a repetition of the economic warfare that was experienced before and during the Thirty-One Years War. The IMF and the World Bank were put in a position to recommend specific policies to be followed by their member governments in Western Europe in the interests of the free world's financial stability. This stability was conceived of as an *expansion* of the foreign economic life of the United States towards Western Europe, and as the *adjustment* of Western Europe to the needs and capacity of the United States. In this way American financial power over Western Eu-

rope – and in due course over the countries in the Restern world – was institutionalised when the Bretton Woods institutions were created. According to Hudson (2003: 140):

[The new financial] arrangement maintained a pool of intergovernmental capital administered by an international consortium that quickly became a vital institution of world diplomacy, used by the United States government to finance a worldwide Open Door policy and to facilitate the breaking of the [old] colonial spheres of influence. In this way the IMF, World Bank, GATT and the US foreign aid program became a *formal system for the political implementation of American economic [and financial] strength*. (Italics added)

The expansion of the US government's financial capacity during the 1930s and during the war occurred in a process of continuous interaction with the growing capacity of private financial actors. In sharp contrast with the situation after the First World War, the United States had at its disposal, after the New Deal and after the Bretton Woods agreement, a multilateral system of trade and payment organised around the dollar and gold as the key currencies, and around the American Federal Reserve system and the market for US Treasury bonds in the United States.

During the uncertain financial situation after the war, New York became the main financial centre almost by default. It was the only place where Europeans could issue long-term bonds. Federal bonds were established at Bretton Woods as a numeraire currency. Martijn Konings (in Panitch and Konings, 2009: 58) puts it as follows:

The system of fixed exchange rates [of the Bretton Woods System] made it more necessary than ever for European central banks to hold reserves [in the form of US bonds], because they needed to be able to intervene in foreign exchange markets to maintain the par value of their currencies. Of course gold had traditionally been the most obvious reserve currency ... European central banks chose not to convert their dollars into gold, preferring instead to hold dollar assets. That was not only because of the American suasion but also because, due to the Federal Reserve's long-standing support of the Treasury's debt management, *US Treasury bills had become highly liquid assets, virtually as liquid as gold yet earning interest*. (Italics added)

For all practical purposes the United States had control over three versions of international liquidity in the post-war period: gold, the dollar and US Treasury bills. With these three versions of liquidity the United States possessed formidable financial power in the non-communist world during the first 30 or so years after the war. The leverage this financial power gave to the United States delivered to it a large imperial dividend.

According to Arrighi (1994: 297), the ‘massive re-armament during and after the Korean War (1950–1952) solved once and for all the liquidity problems of the post-war world economy’. He continues:

Military aid to foreign governments and direct US military expenditure abroad – both of which grew constantly between 1950 and 1958 and again between 1964 and 1973 – provided the world economy with all the liquidity that it needed to expand. And with the United States government acting as a highly permissive world central bank, world trade and production did expand at unprecedented rates [until 1973].⁴¹⁷

According to McCormick (1989: 99), the 23-year period inaugurated by the Korean War (1950) and concluded with the Paris Peace Accord in early 1973 (which virtually ended the Vietnam war) was ‘the most sustained and profitable period of economic growth in the history of world capitalism’. The large amount of liquidity that was furnished to the world by the United States on relatively easy terms played a strategic role in this period of generating unprecedented progress in the capitalist world. (In section 15.5.1 we describe this the period (1945–1973) as the Golden Age of social-democratic capitalism.)

The United States spent so many dollars during the 1950s and 1960s that the dollar’s ability to function as the source of international liquidity was undermined. Early in the 1960s the traditional dollar shortage in Western Europe had been transformed into a dollar glut, fuelling the growth of an offshore pool of American dollars and the emergence of the Eurodollar market. At the same time the United States also experienced a great outflow of private capital associated with growing foreign direct investment by American companies in Western Europe. The development of the Euro market at this time gave an incentive to American banks and corporations to establish overseas affiliates in Western Europe. The lending activities of these American banks in Western Europe were not restricted by the New Deal regulations. Consequently, these banks were in a position to create much greater liquidity than could be created by European banks. During the 1960s the internationalisation of American finance had the effect of creating a highly integrated and liquid financial system between the United States and Western Europe (see Arrighi 1994: 303–307).

During the 1960s American spending on the Vietnam War, the space race and on President Johnson’s Big Society increased so sharply that the United States’ debts to foreign banks exceeded the value of the Treasury’s gold stock. By the end of the 1960s it seemed as if the United States was succumbing to a European-style syndrome and was in danger of losing its dominant world position, just as Britain and other imperial powers had during the latter part of their empire-building enterprises. In March 1968 American gold stocks fell to the \$10 billion floor, beyond which the Treasury had let it be known it would suspend further gold sales. In these circumstances the link between

the dollar and gold was for all practical purposes broken. Two prices of gold emerged, a rising open-market price in the Eurodollar market and the lower 'official' price of \$35 an ounce at which the world's central banks continued to value their monetary price (see Hudson 2003: 16–17).

According to Colás and Saull (in Colás and Saull, eds. 2006: 13–14), the American-led financial empire experienced a fairly serious crisis in the 1970s. They put it as follows:

In the course of the 1970s the Cold War witnessed a transition in the nature of American global power and, consequently, the *socio-economic* constitution of American empire from one based on a *close compromise between capital and labour* and an economy organised around Fordist mass production *to one organised around the social discipline of the working class and the ascending of finance capital as the primary source of capital accumulation* ... The source of this transformation was economic and political, each reflecting distinct contradictions in the constitution of American empire. Economically, the consequences of letting state-led projects of capital accumulation to prosper [in foreign countries] after the war (to a significant degree funded by US capital exports) raised the spectre of autonomous regions of capital accumulation emerging, especially within East Asia and Western Europe, with significant risks for the United States' economic primacy. Such powerful centres of accumulation could threaten to either limit global capital flows to the United States and/or suck capital out of the United States into Western Europe, thereby endangering the long-term health of the American economy and the socially dominant classes within it. The private outflow of United States dollars centred on the Eurodollar market, combined with the export-based accumulation of a dollar surplus in France, Germany and Japan, *rendered United States' economic leadership vulnerable* ... Thus, the *political* success of the fashioning of the American empire during the Cold War (and after) rested on the contradiction of 'undermining' the *economic* dominance of the United States in the world economy. (Italics added)

15.4.2 From the Nixon shock to the Volcker shock (1971–1979/1982)

As the post-war boom came to an end in the late 1960s, at a time of increased competition between Western countries in the procurement and disposal of industrial outputs in world markets, there was a decline in profitability in the United States and upward pressure on the purchase prices of primary products. A first manifestation of this upward pressure was the pay explosion that took place from 1968 to 1973, when real wages in the United States rose much faster than labour productivity and consequently provoked a major decline in corporate profits. A second manifestation of upward pressure in input costs was the oil shocks of 1973 and 1979 (see Arrighi 1994: 307–310).

When European countries were not prepared to reevaluate their currencies

to improve the United States' international competitiveness, President Nixon unilaterally abandoned the fixed gold-dollar exchange standard in 1971.⁴¹⁸ This devaluation of the dollar provided the US government as well as US businesses with major competitive advantages for a short period in the escalating inter-capitalist struggle over the world's markets for industrial inputs and outputs. After the fixed gold-dollar exchange standard was abandoned, the United States created large amounts of additional money, while volatile exchange rates increased the risks and uncertainties of doing business with all kinds of additional cost implications for all the participants in the world economic system. The United States continued to increase the money supply *exponentially* during the 1970s in spite of the fact that the money explosion led to rising costs, new risks and uncertainties as well as to chronic stagflation. Only a fraction of the newly created liquidity found its way into new trade and production. Most of it turned into petrodollars and Eurodollars, or was used for speculation on money markets. This led to the *financialisation* of the global economy (see Arrighi 1994: 320–324).

The banks in Western countries could not find outlets for the trillions of petrodollars and Eurodollars that accumulated on their shelves during the 1970s. For a few years during the 1970s capital had become so abundant that it became almost a free good. Large amounts were lent to Third World countries (in especially Latin America and Africa) at fairly low rates of interest. The Western banks also made themselves guilty of 'loan pushing in Third World countries during the 1970s. In the mid-1970s the real long-term interest rate in the United States fell below zero, with inflation reaching record heights.

After the convertibility of the dollar and gold was abolished by Nixon in 1971, the US Treasury bill standard – that is the dollar debt standard based on dollar convertibility – was inaugurated. Instead of being able to use their dollars to buy American gold, foreign governments found themselves obliged to purchase US Treasury obligations. The world's richest nation was enabled to borrow automatically from foreign central banks simply by running a greater payment deficit. The larger the United States payments deficit grew, the more dollars ended up in foreign central banks, which they then used to buy Treasury bonds. This enabled the United States to go on a spending spree as never before. Instead of United States citizens and companies being taxed or US capital markets being obliged to finance the rising federal deficit, foreign economies were obliged to buy the new Treasury bonds that were issued by the Federal Reserve System. Hudson (2003: 17) states quite categorically that, 'America's Cold War spending ... became a tax on foreigners. It was [mainly Western European] central banks who financed the cost of the war in South East Asia'. During the 1980s the high living standards of the Americans and the high military spending of President Reagan were in effect a tax on Japan. Over the last 25 years this tax has been borne mainly by the central banks of China and India.

The soft monetary policy that was followed during the 1970s eventually

led to double-digit inflation and growing unemployment. On top of the domestic problems faced by the United States in the 1970s, a serious challenge to its international dominance surfaced. The attempts of the United States government to exert control over trans-nationalised United States capital through legal means and loose monetary policies were, according to Arrighi (1994: 319), 'at best ineffective and at worst counter-productive'. In these circumstances the international value of the dollar declined to dangerously low levels.

On 6 October 1979 Paul Volcker, chair of the Federal Reserve Bank, began implementing forceful measures to restrict the supply of dollars to bid up interest rates in world financial markets. At the time a collapse of the dollar was a very real possibility and such a financial crisis could lead to remonetising gold – something the United States did not want to happen. Panitch and Gindin (in Panitch and Konings, 2009: 30–31) describe the 'Volcker shock' as follows:

In the context of the floating exchange rates, petrodollar recycling, expanding financial markets, continued labour militancy and 'soft' monetary policy that characterised the 1970s, by the end of the decade the American state was scrambling to deal with double-digit inflation, a declining dollar and, above all, large outflows of [American] capital ... It was in this context that the 'Volcker shock' of 1979–1982 brought to a definite end two decades of policy confusion amidst severe tension between the [United States'] imperial and domestic roles, through what Volcker himself called a 'triumph of central banking'. This triumph was *political*, not technical; what the Volcker shock entailed in policy terms, as he admitted, was not 'very fancy and very precise'. For all the pseudo-scientific econometrics that provided ideological cover for the operation, it simply involved limiting the growth in the money supply and allowing interest rates to rise to whatever level – and at whatever short-term economic cost – *that was necessary to break the back of inflation and the strength of labour*. The Federal base rate rose from an average of 8 per cent in 1978 to over 19 percent at the beginning of 1981 and did not consistently return to less than double digits until after 1984.

After the Volcker shock the Federal Reserve explicitly took responsibility for declaring an interest rate that would project an anti-inflationary commitment. This was done to stabilise the dollar to such an extent that it could become the global anchor of a dollar-based world economy. The outflow of capital from the United States that so worried American leaders by the late 1970s was turned around. With the Volcker shock the United States re-established its unique position as a new financial empire. Panitch and Gindin (in Panitch and Konings, 2009: 32) put it as follows:

With the Volcker shock the United States effectively secured acceptance by other states and financial capitals of the *asymmetric* treatment of its external deficit because, indeed, ‘*it correspond[ed] to an asymmetry in the real world*’ which ... the Fed itself had slowly begun to realise as early as 1971 ... The way American banks had spread their financial innovations internationally in the 1960s and 1970s, especially through the development of secondary markets in dollar-denominated securities allowed the American state ... to substitute the sale of Treasury bills for a domestic pool of foreign exchange reserves and ran its [economy] without large reserves’.

The drastic nature of the Volcker shock should not be underestimated. Over 4 500 banks – 36 per cent of the total – shut their doors between the end of 1970 and 1990. The Volcker shock not only contributed to the breaking of the inflationary expectation, but it also broke the power of the trade union movement and contributed to a rather important restructuring of class relations – not only in the United States but also in Europe. According to Panitch and Gindin (in Panitch and Konings, 2009: 34), ‘the American state regained the confidence of Wall Street and financial markets more generally. This proved pivotal to the *reconstruction* of the American [financial] empire by unleashing the new form of social rule subsequently labelled “neoliberalism” – promoting the expansion of markets and using their discipline to remove the barriers to accumulation that earlier democratic gains had achieved [from 1945 until 1968]. As vehicles for the most mobile form of capital, the new financial markets contributed strongly to the *universalisation of neoliberalism* in the 1980s and 1990s’.

15.4.3 The second American-led financial empire, when the United States’ foreign debt escalated constantly

According to Giovanni Arrighi (1994: 316–317), ‘the sudden shift from extremely loose to extremely tight monetary policy operated by the United States Federal Reserve under Volcker ... was only a preamble to a whole series of measures aimed not just at restoring confidence in the United States dollar, *but at recentralising within the United States privately controlled world money*’. He continues:

The tightening of United States money supply was undertaken in conjunction with four other measures. First, the United States government started to compete aggressively for mobile capital worldwide by raising interest rates well above the rate of inflation ... Secondly, pecuniary incentives for mobile capital to recentralise in the United States were supplemented and complemented by a major ‘deregulation’ drive which provided United States and non-United States *corporations and financial institutions with virtually unrestricted freedom of action* [see section 15.5.3] ... Thirdly,

having won the election by promising to balance the budget, *the Reagan administration initiated one of the most spectacular expansions of state indebtedness in world history.*⁴¹⁹ Fourthly, this spectacular increase in the United States' national debt was associated with an escalation of the Cold War with the USSR – primarily though not exclusively, through the Strategic Defence Initiative – and a whole series of punitive shows of military muscle. (Italics added) (See section 15.6.3.)

The Volcker shock was followed by a comprehensive programme of *restructuring* of the banking sector and the *liberalisation* of the securities industry by the Reagan administration. The combined effect of the Volcker and Reagan measures was to change the institutional parameters within which the expansion of the American financial and capitalist empire occurred. Just as Reagan neoliberalism did not keep its promise of fiscal austerity, it also did not keep its promise about the deregulation of financial markets. Konings and Panitch (in Panitch and Konings, (eds), 2009: 243) state quite categorically that the Reagan deregulations were nothing of the kind but in fact *re-regulations*:

Indeed, the neoliberal programme was accompanied by a *dramatic enhancement of the United States' control over financial markets*. The main piece of legislation was the 1980 Depository Institutions Deregulation of the Monetary Control Act; it aimed not only to lighten the burden of regulation, but also to *re-regulate* the system so to improve the mechanisms of monetary control ... Deregulation occurred in conjunction with heightened *institutionalisation, codification and jurisdiction*. (Italics added).

The Volcker-Reagan approach did not only lead to the end of the inflation, but also served to turn the outflow of capital from the United States into a huge inflow of foreign funds into the United States. Martijn Konings (in Panitch and Konings (eds), 2009: 64–65) claims that, 'the inflow [of foreign capital] and America's growing debt to the world [from the 1980s] did not undermine, but served to further lubricate the mechanisms of imperial finance: they fuelled the debt and liquidity of financial markets, and this dynamic of expansion served to promote the kinds of strategies that had driven the formation of *the new framework of US-centred financial relations ... Financial innovation and credit creation had been embedded in a new institutional regime that directed credit flows in a way that increased rather than jeopardised United States financial power*'. (Italics added)

The United States experienced the transition from being a creditor into a net debtor in 1985. The re-regulation of the financial system pulled in new foreign financial capital and entailed a diminishing centrality of offshore financial centres. The neoliberal turn in the early 1980s and the subsequent accumulation of American debt in foreign hands gave a dramatic boost to the size and status of New York as an international financial centre. Financial globalisation during the early 1980s was based on a massive increase in the foreign purchase

of American securities. The *financialisation* of the global economy was now a fait accompli.

Hudson (2003: 20, 23–24) gives a vivid description of the financial leverage of the first American-led financial empire (1945–1971), when the United States was still a *credit* country, and of the even stronger financial leverage of US financial power when the United States became a *debtor* country in the mid-1980s. He describes the financial power of the second American-led financial empire as the ‘*economic miracle of modern times*’:

[The] unique ability of the United States government to borrow from foreign central banks rather than from its own citizens is one of the *economic miracles* of modern times. Without it the war-induced American prosperity of the 1960s and early 1970s would have ended quickly ... *Under circumstances where growth in the national debt [of the United States] was financed by foreign central banks, a balance of payments deficit was in the United States’ national interest, for it became a means for the [American] economy to tap the resources of other countries ...* At the root of this new form of imperialism is the exploitation of [other] governments by a single government, that of the United States, via the central banks and multilateral central institutions and intergovernmental capital ... *What has turned the older forms of imperialism [when the United States was a credit country] into a super imperialism [when the United States became a debtor country] is that whereas prior to the 1960s the United States government dominated international organisations by virtue of its pre-eminent creditor status, since that time it has done so by virtue of its debtor position.* (Italics added)

Over the past 30 years the United States has exerted its financial power and imperial exploitation in a different way over, on the one hand, the payment-surplus nations of Europe and East Asia and, on the other, on dollar-deficit regions mainly in Latin America and Africa. Payment-surplus countries in Europe and East Asia had no other option after the abolition of the gold standard but to buy US government bonds and by doing so increase their loans to the US government. As the recipient of all these loans, the United States was put in a powerful position to enter into bilateral trade and industrialisation partnerships with the payment-surplus countries in Europe and in the Restern world (mainly in Asia). Through industrial partnership with payment-surplus countries in the Restern world, industrialisation was spread to these countries by Western TNCs. As far as the dollar-deficit countries in the Restern world were concerned (especially in Latin America and Africa), the United States made structural adjustment programmes (SAPs) applicable to them. The purpose of the SAPs was to force the indebted Restern countries to maintain fiscal austerity in accordance with the prescriptions of the Washington Consensus.

To appreciate the seriousness of the predicament of the dollar-deficit

countries since the late 1970s, the related issue of collateral – or security – on external loans must be taken into account. Before, say, 1975, such collateral was thought not to be an issue, since sovereign countries in the post-war era were not supposed to default on their loans. But when some of the Restern countries experienced serious problems at the end of the 1970s with the repayment of their loans to the commercial banks in the advanced capitalist countries, it was decided that the IMF would be used as the vehicle to ensure the repayment of these loans. *This decision not only changed the rules of the game for the highly indebted Restern countries quite drastically, but it also drew them into a chronic debt crisis in entirely unjust ways.* This decision was American financial imperialism at its worst – politically, economically, and especially morally. The Bretton Woods institutions forced the indebted countries to pay higher interest rates. These programmes also deprived these countries of the ability to prioritise public spending on education and health services in their attempts to accumulate human capital. Consequently, the United States' second financial empire was a deliberate instrument in rolling back indebted Restern countries, making them more uncivilised, more uneducated and more unhealthy. By making the Washington Consensus applicable to these countries, the United States not only entrenched 'the development of underdevelopment' further in those parts of the Restern world, but it actually led to these countries becoming less developed and more 'barbaric'. The way dollar-deficit countries in the Restern world were treated by the US and its powerful financial institutions is an important example of the *criminalisation* of a large part of the Restern world by the American-led financial empire, by the American-led global capitalist/corporatist empire and by the multiple militarist empires – especially in the Muslim world (see below).

Leo Panitch and Gindin (in Panitch and Konings, (eds), 2009: 39–40) give a clear description of how functional the Volcker-Reagan measures were for the United States and dollar-surplus countries, but how disastrous they were for the rest of the Restern world:

While liberalized finance [in the early 1980s] proved to be 'functional' for both global accumulation and the American [financial] empire, it not only brought with it *grotesque inequalities and injustices in all countries, but also threw up its own contradictions.* This was seen in a series of severe disruptions in the accumulation process, above all in the third world, ranging from repeated crises in Latin America to the massive East Asian crisis of 1997–1998, while Africa experienced a more or less perpetual crisis [from the early 1980s]. Much of this had its roots in the way the crises of the developed capitalist states in the 1970s were resolved. *Neoliberalism* was born out of a response to that crisis, and focused mainly on stabilizing the relations between the American economy and the rest of the advanced capitalist world, *even though it was the third world countries which eventually suffered the worst long-term effects.* The reconstitution of the American [financial, capitalist and militarist] empire[s] in

the early 1980s through higher interest rates launched the third world debt crisis, and the subsequent promotion of *neoliberal globalization* left a debt overhang that made it hardly surprising that every application of 'structural adjustment' itself proved crisis-prone [for large parts of the Restern world].⁴²⁰

Leo Panitch *et al.* (in Leo Panitch and Konings (eds), 2009: 253–257) claim that the financial power of the United States government in the global capitalist system was demonstrated quite vividly during the Great Recession of 2008. The crisis began in the United States and spread rapidly to other parts of the world and was shaped continuously by the United States government's financial intervention. The active role the United States government has been playing since the Recession to bail out financial markets and large corporations has given rise to the question of the relationship between the public sector (or the state) and the private sector (or the market) to the surface. According to the *ideological* propaganda of the early 1980s the financial sector had been radically *deregulated* and the US Treasury and the Federal Reserve System were no longer actively involved in the financial sector in the 1970s and 1980s. But Leo Panitch *et al.* (*ibid.*) claim that the financial sector was indeed *not* deregulated in the 1970s and 1980s, but *re-regulated* in such a way that the US Treasury and the Federal Reserve system *have been playing a much more pivotal role in the financial sector of the world since the 1980s*. They are of the opinion that the financial crisis of 2008 'has forcefully, if perversely, demonstrated the centrality of the US in the global capitalist system'. They continue: (*ibid.*: 253–4).

The astounding speed with which the contradictions [of 2007/2008] spread from the American financial system across the world was testimony to the extent to which markets for money, bonds and equity everywhere had become so much further *integrated* [with the American financial system]. And as Wall Street had become more and more dependent on the mundane world of US mortgage and consumer debt, so was the ground being laid for a worldwide financial crisis. The logic of this crisis played itself out in the context of an international financial regime organised around American financial practices and institutions, once this has shown yet again how the distinctive nature of American finance as it has been shaped domestically constitutes a key dimension of US imperial structures ...

Given that the financial crisis demonstrated the centrality of the US government in the global financial system, the question arises of whether this central role can be reconciled with the neoliberal rhetorical propaganda that the state has withdrawn from financial markets. Panitch *et al.* (in Leo Panitch and Konings, (eds), 2009: 259) explain the contradiction between the *neoliberal ideology* and the *neoliberal experience* during the crisis as follows:

It was only on the most stylized and superficial reading of the neoliberal era that the state could be seen to have *withdrawn* [from the financial sector] in the first place. Only at a purely *ideological* level was neoliberalism about the *retreat* of public institutions and economic life or a return to a pre-Keynesian era of non-intervention. Neoliberal *practices* have not entailed institutional *retreat* nearly as much as the *expansion* and consolidation of the networks of institutional linkages that sustain the imperial power of American finance. *Of course it is by now commonplace to assert that states and markets should not be seen as really opposed to one another ...* Such claims have tended to remain rather perfunctory, and most research has remained guided by the notion that financial expansion has been accompanied by the attenuation of the state ... [In reality] the US state and financial markets are *mutually* constituted ... To assume that *neoliberalism* reshaped the world in the image of its own discourse – i.e. that it replaced political relations with economic logics and public decision-making with market rationalities – *is to attribute too much positive force and coherence to neoliberal ideas. Neoliberalism and financial expansion did not lift the market out of its social context, but precisely embedded financial forms and principles more deeply in the fabric of the American polity.* (Italics added)

In spite of the Great Recession (2008–2013), the American empire and the framework of institutional linkages between United States financial powers in a world of global finance remain apparently intact. Martijn Konings and Leo Panitch (in Panitch and Konings, (eds), 2009: 239) claim that, ‘it is the distinctive characteristic of modern imperialism that American financial problems are not just its own problems ... Foreign investors cannot engage in a wholesale dumping of dollars onto the world market without destabilising the system as a whole and doing serious damage to their own interest in the process’. There can, however, be no doubt that the illiquidity that hit the Eurozone and the political instability that has been experienced by Tunisia, Libya, Egypt and Syria since 2010 should be ascribed to the fact that the United States government is using its financial empire to turn the screws on the rest of the world to enable the US to repay the bailouts to the bankrupt banks and corporations. What we are witnessing in the Great Recession is the extraordinary financial leverage the American-led ‘debt empire’ has given to the United State to the detriment of the rest of the world.

15.5 The two American-led capitalist/corporatist empires after the Second World War

In section 15.4 we distinguish between two American-led *financial* empires after the Second World War. It is also necessary to distinguish between two American-led *capitalist* (or corporatist) empires after the Second World War. The first American-led capitalist empire arose during the third quarter of the

twentieth century, when the United States deemed it necessary to consolidate its hegemonic position by West-West interdependence between Western countries and by reaching consensus on a social-democratic approach. While all the belligerent countries in Europe were seriously disrupted by the Second World War, the United States was in a much more powerful, yet vulnerable, position after the war. To consolidate its hegemonic position in the Free West after the Second World War, the US took the initiative to build on *American-led social democratic capitalist empire in the Western World*.

The second American-led *capitalist* empire after the Second World War was launched early in the 1980s after the United States had experienced a period of mild systemic chaos in the 1970s. The second American-led empire was a *post-colonial, neoliberal, globalist, capitalist/corporatist empire*. Over the past 30 years the United States has concentrated its huge *financial, capitalist and militaristic* power much more firmly in its own hands and succeeded in draining the rest of the world – and especially the Restern world – of many of its resources in ways that have not always been *visible* and about which the inhabitants of the relevant countries have mostly been unaware. During the time span of the second American-led capitalist empire not only did the *domestic* distribution of income of *all* countries become much more unequal, but the *international* distribution of income between countries – with a few exceptions – also became increasingly unequal. (See section 15.5.3.)

15.5.1 The American-led social-democratic capitalist/corporatist empire in Western Europe (1945–1973)

In the years immediately after the Second World War all the Western industrial countries turned their backs on the unregulated free market system driven by unbridled and volatile capitalist forces that had been operating – in especially Britain – before the First World War. The main object of the national governments of the Western world immediately after the war was not only the rebuilding of infrastructure and services, but the building of comprehensive welfare states and the enhancement of the purchasing power of ordinary working people.

In section 15.4 we described the construction of the American-led *financial* empire after the Second World War. The most important aspect of that construction was, according to Panitch and Gindin (in Colás and Saull 2006: 28), ‘the immense attention the [American] Treasury and State Department paid during the war to planning for relaunching a coordinated liberal trading regime and a rules-based financial order via manipulating its main allies’ debtor status, [and] the complete domination of the dollar as world currency’. Parallel to this financial empire, the United States also constructed immediately after the Second World War a capitalist world order, or an informal capitalist empire. Panitch and Gindin (in Colás and Saull 2006: 30) describe the construction of this informal American capitalist empire as follows:

It was not through the territorial expansion of formal empire, but rather through the reconstruction of [capitalist] states as cohesive and integral elements of an *informal American empire that the global capitalist order was organised 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 ... 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 American social formation) largely an anachronism. (Italics added)

The new relationship between capitalism and empire did not involve the creation of a supra-national state or super-state, but rather the *internationalisation* of the Western capitalist states. Panitch and Gindin (in Colás and Saull 2006: 30) put it as follows:

The *internationalization* of the [Western] state had [for the American imperial state] 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*. This was accomplished 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*' ... The new *integral* relationship that developed between the 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 [in Western Europe] by invitation*'. (Italics added)

The process of integrating Western Europe into the framework of the American-led social-democratic capitalist empire started with the Atlantic Charter that was agreed upon between the United States and Britain in 1941. At the Bretton Woods Conference (1944), it was decided to create the International Monetary Fund – to stabilise exchange rates and the flow of international capital – and the World Bank – to support economic reconstruction in Western Europe. The rest of the institutional framework of the Western Club – with West-West interdependence and European dependence on the United States – was created in the five years after 1945. The most important other institutions that were established from 1945 to 1950 were the United Nations, NATO, the Marshall Aid Plan and GATT.

At the end of the Second World War the United States and the countries in Western Europe reached consensus on two *social-democratic* contracts to create social justice and social stability in the *domestic* affairs in each of the

capitalist countries in the Western world and also to stabilise relations between the Western capitalist countries internationally. Both these social contracts were inspired by the anti-communist attitudes of the time. All Western countries agreed upon the expansion of their welfare state systems to compensate the working classes for their huge sacrifices as soldiers during the two world wars and as unemployed workers during the Great Depression. The agreement on the dual social-democratic contracts was reached under the shadow of the communist threat. The policy approach of the American-led *social-democratic* capitalist empire entailed increased spending on social welfare programmes, full-employment policies, and the equalisation of the distribution of domestic income as well as price and exchange rate stability within the framework of the Bretton Woods system (see Panitch and Gindin, in Colás and Saull 2006: Chapter 1).

The capitalist system that became institutionalised in the Western countries as part of the American-led *social-democratic* empire (1945–1973) was unique in the sense that it was the first capitalist system – in the 300-year history of capitalism – in which capital was not in a dominant position vis-à-vis labour, and also the first capitalist period in which the capitalist elite was not dominating the political state. The politico-economic system that was in place in the developed Western countries in the third quarter of the twentieth century was a system of democratic capitalism in which the democratic and the capitalist sides of the politico-economic system were in remarkable balance in relation to each other (see section 16.2.3a).

The United States played a dominant role in the American-led *social-democratic* capitalist empire that was constructed after the Second World War in a world of ‘closed frontiers’ and ‘open doors’ to capitalist markets. Colás and Saull (2006: 7–8) put it as follows:

The USA emerged as the dominant global power in the course of World War Two into a [Western] world of closed [national] frontiers. Its main task thereafter was to continue opening doors to capitalist markets. Wherever either of these two requirements of capitalist hegemony – *closed frontiers or open doors* – was threatened; whenever state sovereignty of an allied [national] state was imperilled or democratic social forces challenged the extension of capitalist markets, there and then Washington projected its *coercive* global power in an attempt to shore up [American] state authority and capitalist social relations. The USA had – and arguably continues to have – various resources in the pursuit of such aims: as the largest capitalist economy, it had the compulsion of the market on its side; as the leading capitalist state, it enjoyed the authority to coordinate other capitalist states; as a liberal democracy, it could elicit the socio-political and cultural consent of its own and other populations; and as a military and nuclear superpower, it was able to deploy unsurpassed force by land, air, sea and eventually space.

The United States was motivated by several considerations in its quest to build West-West *interdependence* and to construct an American-led social-democratic capitalist order in the Western world by consensus. The most important reason the United States wanted West-West interdependence was to prevent a repetition of the zero-sum rivalry that took place between European empire-building countries during the period of mercantilism (1530–1846), and also to prevent the even more aggressive zero-sum rivalry that took place between industrialised Western empires during the period of high imperialism (1885–1914) as well as during the Thirty-One Years War (1914–1945). It was understood that – as the nineteenth century had so painfully taught – the competitiveness of capitalism within national boundaries would always be inclined to become derailed in a relentless (and even violent) competitiveness amongst capitalist countries. After the Second World War the United States was therefore adamant about building a West-West *interdependence* that would prevent another zero-sum rivalry between industrialised and capitalist countries in the West. The West-West interdependence could not, however, prevent the zero-sum rivalry between industrialised corporations in the West and in the Rest over the long run, or the rather fierce competition between transnational corporations (see Biel 2000: Chapter 2).

During the Golden Age of the American-led social-democratic empire (1950–1973) the Western world experienced an annual increase in real per capita income of 3 per cent, accelerating from 2 per cent in the 1950 to 3.4 per cent in the 1960s (Arrighi 1994: 298). The per capita income of the Western world more than doubled from \$6 291 (1992 International \$) in 1950 to \$13 369 in 1973 (Table 6). In this period the economic growth rate in Western Europe was even higher than that of the United States.

The attempts to consolidate West-West interdependence were originally faced with all kinds of stumbling blocks. In the 1950s the United States became outspoken in its view that the perpetuation of the British and French empires in Africa and the Middle East would lead to increased confrontation with the Soviet Union. In the mid-1950s the United States pressurised Britain, France and Belgium – in a rather undiplomatic way – to accelerate the decolonisation of their African colonies. (See section 14.2.4.) As political tensions between the United States and Europe grew, the 1960s saw France withdrawing from NATO. The growing hostility of France to American dominance was a significant and serious setback in the drive towards West-West interdependence (see Servant-Schreiber 1968).⁴²¹ In spite of these setbacks, West-West interdependence created by the early 1970s a strongly integrated Western Club that enhanced the United States' hegemonic position in the Western world (and in the non-communist Restern world) quite considerably. When President Nixon unilaterally suspended the Bretton Woods system in 1971, he had reason to believe that the solidarity of the Western Club would remain intact.

According to Geir Lundestad (2004: Chapter 2), the capitalist cooperation that was established between the United States and Western Europe

after the Second World War was a process through which Western Europe became a colony of the American-led capitalist empire, by invitation and by consensus. The United States was motivated after the Second World War to turn Western Europe into an American colony by the desire to ‘keep the Russians out, the Germans down and the Americans in’ (Lord Ismay quoted by Lundestad, 2004: 7–8).

But before this could happen, it was necessary to integrate Western European countries into the American sphere of influence and to turn the Western European system of capitalism into an ‘image’ of the American version. Lundestad (2004: 37) describes the integration of Western Europe by the American world as follows:

Washington promoted European integration in three main ways. The first, and most obvious one, was by explicitly pushing the Europeans in the direction of integration. The second and even more important was by insisting, first, on the reconstruction and then on the equality of the western zones of Germany in European affairs ... The third way in which the United States promoted European integration was through [America’s] role as Europe’s ultimate arbiter and pacifier.

Charles Maier (2006: 191) describes the transformation of Western Europe into a US colony and Western European capitalism into an image of US capitalism as follows:

Soft or hard – and it can never be entirely soft – *imperial power is ambitious* ... Call it empire or hegemon, super- or hyper-power, the [imperial] state seeks simultaneously to define the supranational frontiers it controls and to shape the *institutions and values* within them. For the United States after 1945, this latter effort meant *diffusing* [within Europe] *the mass industrial capitalism that had triumphantly demonstrated [America’s] productive energy during the recent war*. (Italics added)

The Marshall Plan (1948) played a key role in integrating Western Europe into the American-led social-democratic capitalist empire. Victoria de Garzia (2005: 345–346) claims that:

The imprint of the Marshall Plan lay not so much in its financial contribution to European reconstruction as in the *conditions* that were demanded to disburse the aid ... [The Marshall Plan] aimed at building a self-sustaining industrialised Europe, one that thrived by intra-regional trade yet was firmly inserted into the American-dominated world economy ... Consequently, the first priority of [financial] aid was to boost productivity by investing in industrial *retooling* and in infrastructure [in Western Europe].

The most important of the conditionalities attached to the Marshall Plan was that the recipient countries should not only allow American-domiciled transnational corporations (TNCs) to operate freely in them, but that they should also grant the American TNCs *all the privileges that were available to their domestic corporations*. These conditionalities led to a considerable growth in the number and in the role of American TNCs in Europe. These conditionalities were important. They were also made applicable when parts of the Restern world were integrated *coercively* in successive instalments into the American-led post-colonial, *neoliberal* globalist capitalist empire in the last quarter of the twentieth century. When this enlargement of the American-led capitalist empire occurred, the United States was prepared to acknowledge the closeness of the political frontiers of these new member states, but it was also adamant about opening these states' markets coercively to the infiltration of Western TNCs and international monetary institutions.

Charles Maier (2006: Chapter 5 and 6) also claims that Americans in 1945 were convinced that if they could export to Western Europe *the production, labour, remuneration and consumption* patterns that they had developed during the first half of the twentieth century in Latin America, this would enable Western Europe to transform itself into a number of prosperous countries with the high living standards of the United States. In this way a mass consumer society – parallel to the one in America – emerged in Western Europe, thus creating an ever-expanding market for American-produced goods. According to Maier (2006: 198–202), it was part of the Marshall Plan to convince the Europeans about the merits of Fordism and the American industrial model. He puts it as follows:

Fordism was always orientated towards standardisation ... [It was] a machine production of fully interchangeable parts. It presupposed mass production and standardised labour contracts. Thousands of men and women had to serve the costly and demanding machine at each site ... Spotlighting *productivity* put a premium on efficiency, labour discipline, and capital rebuilding and growth.⁴²²

The acceptance of American corporatism by European countries did not happen without all kinds of resistance and surprise. The French author JJ Servant-Schreiber states in his book *The American Challenge* (1968: 10–11) that the challenge from the United States was not technological, financial or economic in nature, *but something else*. He puts it as follows:

[The challenge] is something quite new and considerably more serious – *the extension to Europe of an art of organisation* [i.e. that of the American transnational corporation] that is *still a mystery to us* [in Europe]. *The Common Market [in Europe] has become a new Far West for American businessmen*. The investments do not so much involve a transfer of capital, as an actual *seizure of power* within the European economy.⁴²³ (Italics added)

The business sector in Western Europe was left with no option but to unravel the mystery attached to the American transnational corporations and to adapt to the economic power that had been seized by American corporations in Western Europe. Arrighi and Silver (1999: 139–140) are quite explicit about the support the United States government gave to American corporations that were operating in the United States' informal colony in Western Europe:

The United States government played a *decisive* role [after the Second World War] in fostering the transitional expansion of US *corporate capital* as it did in creating the conditions for its domestic consolidation. It provided US corporations operating *abroad* with tax incentives and insurance schemes, as well as political and military protection ... *The United States government spared neither money nor energy to create in Europe a political-economic space large enough to enable US corporate capital to experience a second youth across the Atlantic.* Through the skilful use of economic inducements (most notably, the Marshall Plan), it fostered European cooperation and the reduction of intra-European economic barriers. (Italics added)

According to Martijn Konings and Leo Panitch (in Panitch and Konings, (eds), 2009: 230–231), after the Second World War, 'the United States used governmental capital flows outside the Bretton Woods system as a lever to influence the European pattern of post-war reconstruction'. They continue:

During the first years after the Second World War the penetration of the European economy ... by United States capital worked primarily through the institution of the nation-state: the diffusion of American imperial power occurred through the *internationalization* of national states [in Western Europe] ... [This should be] viewed as a particular *form of imperial globalization*. National economies and capitalist elites depended to an ever greater degree on [European] states whose key institutions and capabilities had already been *internationalized* and whose functions were profoundly imbricated with the reproduction of the American empire [in Western Europe]. The inward national development model [of Europe] was grafted onto American methods of production in politics reconstructed under American auspices, facilitated by the provision of American funds that helped pay for crucial imports ... [Europe's] *internationalization* should not be opposed to the Fordist model of nationality-oriented development; instead, it occurred to a significant degree *through* that model. (Italics added)

It was not easy, however, for the Americans to convince Western Europeans about the alleged merits of the American industrial model or about the merits of the mass consumer society and consumerism. In many Western European

countries – but especially in France – people regarded American mass consumer culture with suspicion and as an expression of the vulgar materialistic culture that had developed in isolation in the United States. The opponents of the mass consumer culture of the Americans, however, could not dispute the fact that the United States experienced such astonishing economic growth after 1870 that it enabled US citizens to maintain much higher living standards than those in Europe. While in 1870 the per capita income in Western Europe was 80 per cent of the per capita income of the United States, by 1950 it declined to only 48 per cent (Table 6). While Western Europe persisted with its repressive labour patterns and its low-wage economy in the first half of the twentieth century, the United States adopted more productive labour patterns and paid its workers a fair wage at a time when Britain persisted with Ricardian wages and Master and Servants Laws.

After Roosevelt's death, his New Deal gave way to Truman's Fair Deal. The United States at mid-century was a much more democratised society with more upward social mobility than was the case in Western Europe. Many European countries were still typical 'two-nation nations' as in the nineteenth century, with a small bourgeois elite that protected its lifestyle with all the political and economic power at its disposal. As the bourgeoisie gradually replaced the aristocratic elite after the Napoleonic wars, so the European bourgeoisie was pressurised by the Americans after the Second World War to adapt not only to a mass consumer society, but also to a more open society with more upward mobility. All the remnants of feudalism were swept away by the Americanisation of Western Europe during the third quarter of the twentieth century.

When the United States provided the Marshall Plan for Western Europe, it also reached agreements with the Europeans that a social-democratic approach was necessary to bridge the wide inequalities that existed between the income of the bourgeois elite and the large underclass. The Americans were therefore in favour of the recommendations of the Beveridge Report (of 1942) that welfare states should be built to solve the 'social evils of illness, ignorance, disease, squalor, and want'. The Americans also agreed with Keynes's view that if Europe was to perpetuate its nineteenth-century bourgeois ethic of saving and accumulation rather than accepting the Americans' twentieth-century ideas of consumerism and a mass consumer society, this would be an obstacle to capitalist development and economic growth in Europe.

It is rather ironic that Western Europe did not only attain achieve higher economic growth than the United States during the Golden Age of social-democratic capitalism in the third quarter of the twentieth century, but also more comprehensively institutionalised welfare states. Consequently, Western European countries succeeded in equalising their domestic distribution of income much more comprehensively than the United States had done during the third quarter of the twentieth century (see Giovanni Cornia, 2004: Chapters 1 and 2).

By about 1970 Western European countries were almost fully *Americanised* and transformed into mass consumer societies by America's financial support, the activities of American banks, the TNCs operations in Western Europe, the ideological propagation of consumerism, the American practice of supplying consumers with soft consumer credit, and by the higher economic growth rate attained through American foreign direct investment in Western Europe.⁴²⁴ Around 1970 the respective economic positions of Europe and Japan, on the one hand, and of the United States, on the other, had changed places. Konings and Panitch (in Panitch and Konings, 2009: 232) put it as follows:

The enormous growth and export capacity of the European and Japanese economies that the United States had sponsored coincided with military expenditures, foreign aid and the outflow of foreign direct investment from American MNCs to the European market. [These trends] began to have contradictory effects on the United States itself, as a deteriorating United States balance of payments produced pressures on the dollar ... As the Treasury became increasingly aware [of] the imbalances created by the deteriorating [American] balance of payments ... the United States broke the dollar's link with gold [in 1971].

President Nixon's breaking of the link with gold spelled the end of the Golden Age of social-democratic capitalism in the Western world and also the end of the original Bretton Woods system of 1944. It was one of the most important financial turning points in the second half of the twentieth century.

15.5.2 The period of mild systemic chaos in the 1970s and the emergence of technological and financial globalisation (1968–1981)

At the end of the 1960s the post-war boom came to an end and the United States experienced not only fiscal and economic problems, but a series of events that injured its international power and prestige. Intolerably high government spending on defence and on infrastructural development during the 1950s, and increased social spending in the 1960s (after the enactment of President Johnson's Great Society legislation in 1965), together with the increased spending on the Vietnam War and the space race, led to serious fiscal problems.

The economic problems experienced by the United States from 1968 until the early 1980s can be regarded as the result of imperial overstretch as its commitment to public expenditure became so strong that it cut into the productive vigour of the American private sector.⁴²⁵

At the end of the 1960s the United States was also confronted with a serious social crisis. The civil rights movement (1955–1968) reached its peak in 1968. The student unrest in 1969 – against the Vietnam War and the military industrial complex – shocked the country. In 1973 Israel and the Unit-

ed States suffered heavy setbacks in the Egypt-Israel War. During the war OPEC increased the price of oil sharply. In 1975 the Vietnam War ended with the United States on the losing end. The increase in the price of oil led to worldwide stagflation in the 1970s, i.e. sharply reduced rates of real economic growth combined with high inflation rates and rising unemployment. The United States experienced four relatively severe recessions from the late 1960s to the early 1980s. When taxation was increased in the United States in the 1970s to pay for unemployment insurance, it provoked tax revolts.

At the same time the hegemony of the United States was harmed by the accession of China to the UN Security Council (1971), by the Portuguese defeat in Africa (1974), by the 1975 request of the Third World countries at the United Nations for a New International Economic Order (NIEO) and the commitment of Western countries to voluntarily give 0.7 per cent of their GDP as Official Development Aid (ODA) to Third World countries,⁴²⁶ by the Iranian Revolution in 1979 and by the Soviet invasion of Afghanistan (1979). The United States' international power and prestige were also damaged by the Watergate Scandal (1972–1974).

Chalmers Johnson (2004: 259–260) describes the period of mild systemic crisis in the 1970s as follows:

The 1970s ... had already ushered in a period of questioning where the capitalist world was heading. The American and British economies were plagued by 'stagflation' ... high rates of unemployment, large public-sector deficits, and two major oil crises as producer nations sought to influence the policies of consuming nations, racial strife, and, for the United States, defeat in Vietnam ... These circumstances allowed for the rise of conservative political parties and leaders ... Ronald Reagan and Margaret Thatcher ... [T]he new governments committed themselves to a rebirth of nineteenth-century *capitalist fundamentalist* theory. This meant withdrawing the state as much as possible from participation in the economy ... enacting powerful domestic and international safeguards for private property rights ... and enforcing conservative fiscal policies even at the expense of the public's health and welfare.

Immanuel Wallerstein (*New Left Review*, 2010: 1–11) claims that the year 1968 represents an important turning point in the ideological history of the modern world. In 1968 the Old Left (or the traditional anti-systemic movements against liberal capitalism) reached its peak, but also its end. (See section 14.1.) The mobilising power of the Old Left had its major impact from 1933 until 1968, i.e. from the inauguration of President Franklin D. Roosevelt (1933) until the election of Richard Nixon (1968). In 1968 it became apparent that the Old Left would not attain the high humanitarian ideals it had set for itself. The student unrest in Europe in 1968 and in the United States against the Vietnam War and the military-industrial complex (MIC) (1969) were all part of the anti-systemic movement of the Old Left. When

none of these events achieved their humanitarian purposes, the Old Left came to its end. The Old Left (or the centrist liberalist approach) reached its final triumph with the enactment of President Johnson's Great Society and his civil rights legislation in the 1960s.

The Old Left was replaced by the New Right that emerged in the United States in 1964 with Goldwater's programmes and in 1968 with the election victory of Richard Nixon. The New Right triumphed in the 30 years after the election of Reagan as president. It dominated the period of neoliberal globalist capitalism, which was one of greed, materialism and consumerism *par excellence* for a small capitalist elite in the Western world and greater misery for billions of people in mainly the Restern world. (The per capita income of the Restern world as a percentage of the per capita income of the Western world declined from 18.4 per cent in 1973 to 16.1 per cent in 2003 (Table 7 and Figures 7.A and 7.B).

The United States' attitude towards the underdeveloped Third World moved through several stages in the post-war period. Immediately after the war the United States expressed its misgivings about the perpetuation of the imperialism of European countries in the Third World. In 1946 the United States gave the Philippines its independence and condoned the decolonisation of India/Pakistan (1947) and of Sri Lanka (1948) by Britain, and of Indonesia (1949) by the Dutch. In 1949 President Truman announced his Four Point Plan as 'a bold new program ... to assist the people of economically underdeveloped areas to raise their standard of living'. But when Nikita Khrushchev showed an interest in expanding Soviet influence into Africa during the 1950s, President Eisenhower pressurised the European countries – such as Britain, France and Belgium – quickly to grant independence to their colonies in Africa. During the Suez crisis (1956) President Eisenhower adopted a hostile stance towards Britain and France. It was only in Korea and Vietnam that the United States came to the defence of South Korea and South Vietnam as part of its policy of containing communist expansionism.

The United States' attitude towards the Third World began to change when meetings of Third World countries (in Bandung in 1955, Belgrade in 1961, Cairo in 1964 and Lusaka in 1970) started to adopt an increasingly hostile attitude towards the West and blamed the erstwhile Western empires for the Third World's chronic condition of underdevelopment. When the Soviet Union allied itself with the so-called Non-aligned Movement and started to infiltrate newly independent countries in Africa, and then echoed the anti-colonial sentiments of the Third World at the United Nations and in other international forums, the United States' attitude towards the Third World changed from being sympathetic to one of growing suspicion and open hostility in the 1980s. During the 1980s and 1990s many Third World and former Communist countries were coerced by the United States to become post-colonial satellites of the American-led neoliberal global empire. (See section 14.3.)

The hegemony that the United States had enjoyed up until the end of the

1960s was challenged in the 1970s amidst greater Soviet aggressiveness in seeking to benefit from a new wave of anti-capitalist social revolutions in many parts of the Third World – i.e. during a time when the United States' power and legitimacy were being questioned more openly than ever before (see Kennedy 1988: 393–395; Mamdani 2004: Chapter 3). A factor that greatly complicated the policy of the United States in the Third World was the industrialisation of several countries in that sphere in the late 1960s at a time when the United States was itself experiencing a decline in its economic growth rate. (See section 5.3.6 on the six stages of industrialisation.)

In section 5.3 we discussed how Western countries succeeded in monopolising the processes of industrialisation for 200 years – from 1770 until 1970 (see Hobsbawm, 1994: 205–207). As Western capital flowed at favourable terms to some Asian countries (the so-called Asian Tigers) and to some Latin American countries in the 1960s, they started *import substitution industrialisation* (ISI). Although the United States and Western Europe were at the time still adamant about maintaining their industrial monopoly, the West did not regard the emergence of ISI in some Restern countries with concern. But when the money explosion occurred during the 1970s and investment capital flowed at favourable terms from the USA to some Restern countries, bringing about a *relocation of export-orientated industrialisation* (EOI) to these countries, the United States regarded this development with great apprehension viewing it as an indication that it was losing its control over the flow of transnational capital and industrialisation. When the Volcker shock (1979–1982) put the industrial sector in the United States under ever greater pressure, American TNCs and the American banking sector requested the Reagan government to abolish the regulatory framework that had been applicable to industrial and banking corporations since the New Deal and to the adoption of the social-democratic approach immediately after the Second World War (see Arrighi 1994: 316–320).

If we put together the stagflation of the 1970s, the growing militarisation of the Soviet Union and the greater hostility of many Third World countries towards the United States during the 1970s, as well as the relocation of EOI from the Western world to parts of the Third World, then there cannot be any doubt that the United States experienced a period of *mild systemic chaos* during the 1970s. Nonetheless, it was serious enough to bring about an important reconfiguration of the power constellation in the world, which led to a transfer of power from the Second and Third Worlds to the First World and especially to the United States.

What was also experienced in the 1970s was the emergence of a new process of technological globalisation. In the 1970s the huge expenditure of the United States on military research and on research connected with the space race during the 1950s and 1960s started to produce practical spinoffs. The military spending of the United States increased sharply in 1950. Most of the money went into the development of nuclear weapons. During the 1960s equally huge amounts were spent on the space race (see Johnson, 2002: 56,

161–165). This research enabled the United States to launch the super-computer microchip revolution that led to the new communications and transportation revolution from 1970 as a result of which the world was reduced to a ‘global village’.⁴²⁷

A second event that occurred during the 1970s and which facilitated the rise of American globalisation was the money explosion that occurred after Nixon unilaterally abandoned the fixed gold-dollar exchange standard in 1971. Although this money explosion drove the inflation of the 1970s, the sharp increase in Eurodollars and petrodollars facilitated the development of the financial globalisation, or ‘financialisation’, of the world. But neither the structural nor the financial forms of globalisation were sufficient to bring about American globalisation. To succeed in that, two additional conditionalities also had to fall into place – i.e. ideological and militaristic conditionalities. The ideological conditionality was supplied when Reagan started to propagate *neoliberal globalism*: the ideology of market fundamentalism, which proclaimed the extraordinarily beneficial characteristics of a global market in goods, services and capital. The militaristic conditionality was provided when the Strategic Defence Initiative (SDI) was announced by President Reagan and when the Pentagon became involved in the Soviet-Afghan war. By the early 1980s the *technological, financial, ideological and militaristic* globalisations had become integrated into a comprehensive single project sufficient to launch *American globalisation, or the American-led, post-colonial, neoliberal and global capitalist and militaristic empire*.

15.5.3 The American-led post-colonial, neoliberal, global and capitalist/corporatist empire since the early 1980s

In the early 1980s a new relationship developed between the American capitalist system and a new phase of an American-led capitalist empire. As the American economy experienced a growing flight of capital (both domestic and foreign capital) during the 1970s, a 1980 presidential report on the competitive position of the United States appeared. According to Panitch and Gindin (in Colás and Saull 2006: 32–33), the presidential report described itself as ‘*the most comprehensive and detailed analysis of the steep decline in the competitiveness of the United States*’. The report advised that this decline ‘*could be corrected, but not without a radical re-orientation in economic policy to address the persistence of domestic inflation and the need for greater access to savings to accelerate investment*’ (Panitch and Gindin in Colás and Saull 2006: 32–33). They continue:

The crucial ‘turning point’ in policy orientation came in 1979 with the ‘Volcker shock’ – the American state’s self-imposed structural adjustment programme. 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 [of the Reagan government] ... the *state-reinforced* new strength of finance set the stage for what came to be popularly known as [financial] '*globalization*' – the acceleration of the drive to a seamless world of capital accumulation. The mechanism of *neoliberalism* may have been *economic* (the expansion and deepening of markets of competitive pressures) but the essence of neoliberalism was a *political* response to the democratic gains that had been previously achieved [i.e. from 1933 until 1968] by subordinate classes [and the trade union movement] and which had become, in a new context and from capital's perspective, barriers to accumulation. Neoliberalism involved not just reversing these 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 ... [In this way] American labour was restructured to provide American capital with an even greater competitive flexibility vis-à-vis Europe.

Given the financial power of the US government in the early 1980s, and given the acceptance of the *neoliberal ideology* (or the ideology of market fundamentalism) and the increase in the United States' military capacity vis-à-vis the 'evil empire', the Reagan government exerted an ideological and a militaristic coup d'état and orchestrated a *comprehensive power shift in domestic and international relations in favour of American global capitalism and an American-led post-colonial, neoliberal empire to the detriment of the Soviet Union and large parts of the Restern World*.

According to Colás and Saull (eds) (in Colás and Saull 2006: 14–16), the political struggles between capital and labour in the 1970s and the advances of the Soviet Union in the 1970s 'witnessed the emergence of a new social coalition which provided the bases for a reconstruction of the political and economic pillars of [the new] American empire domestically and internationally'. They continue:

The election of Ronald Reagan in 1980 accelerated the shift away from tolerating Soviet and revolutionary advances ... Consequently, Reagan embarked on an economic programme – neoliberalism and structural adjustment – to *rebuild* US economic ascendancy over the capitalist world and construct a new social coalition for [the] American empire from the ruins of a collapsed anti-communist social contract. The Reagan administration sought to reconstruct an American-centred international capitalist system for the benefit of the US elite (and its allied social groups mobilized in place of old labour), *and in doing so undermined the national economic authority* of other capitalist states [in Western Europe].

The neoclassical school of economists claimed at the end of the nineteenth century that a *laissez-faire capitalist system* in a single country – i.e. Britain – would be a *self-regulatory* system that would *automatically* tend towards equilibrium. The fact that Britain was at the time an imperialistic country that preyed on other countries was not taken into account by the ideologues of the neoclassical school of economists. According to Manfred Steger (2002: 12), ‘the globalists [at the end of the twentieth century] supported a model of economic organisation based on classical liberal ideals [of the nineteenth century] that are adjusted to the increasingly *global* framework of our times’. He continues:

[The neoliberal ideologues] seek to enshrine laissez-faire capitalism as the self-evident and natural order of our era. In that sense, neoliberal globalists are ‘market fundamentalists’ who believe in the creation of a single, global market in goods, services and capital. They suggest that all peoples and states [in the world] are equally subject to the *logic of globalism*, which is in the long run beneficial and inevitable [for everybody], and that societies have no choice *but to adapt to the world-shaping force ...* [Neoliberal capitalism] constitutes a gigantic repackaging enterprise – the pouring of old [nineteenth-century] philosophical wine into new [twentieth-century] ideological bottles.

In their propaganda the ideologues of neoliberal globalism glorified the alleged multiple virtues of the market-driven globalisation process, while expressing all kinds of suspicions and reservations about the role governments were playing in the economy. According to Reaganite sloganeering of the early 1980s, the state had to be ‘rolled back’ because it had become too big, too inefficient and too costly, and because it could neither stop nor control the process of globalisation. In sharp contrast, market-driven globalisation was glorified in superlative terms in neoliberal propaganda. The sloganeering stressed that global capitalism and the market mechanism should be left undisturbed, because ‘the market knows better’ and because the ‘collective wisdom’ of the thousands of participants in the market could not be wrong. Consequently, it was alleged that the benefits of American globalisation would be spread *spontaneously* to all corners and to all people of the globe, that the process of globalisation was inevitable, because the *natural laws* of the market had indeed been preordained.⁴²⁸

After the implosion of the Soviet Union in 1991 the ideologues of neoliberal globalism were in a triumphal mood. They were convinced that globalisation and the American-led economic model had prevailed and that the rest of the world had no alternative but to adapt to the Americanisation of the world. Francis Fukuyama (1992) declared ‘the end of history’ and the victory of the American political and economic system (see Steger 2003: Chapter 3).

When the TNCs convinced Reagan in the early 1980s to abolish almost all the regulations that had been enacted by the American Congress during

the New Deal and during the social-democratic consensus after the Second World War, a kind of regulatory vacuum was created. The TNCs were now free and empowered to act – in especially the Restern world – as they pleased. With his neoliberal counter-revolution President Reagan created a new ‘Wild West’, a lawless world in which the TNCs could not be held sufficiently *accountable* for their malpractices – not by the United States government and even less by governments in the Restern world. In this way the global economy was *criminalised* by the neoliberal counter-revolution. As a consequence of this counter-revolution labour became as powerless vis-à-vis capital as had been the case in the eighteenth and the nineteenth centuries. Reagan’s counter-revolution orchestrated a major social revolution by empowering the upper strata of society and degrading the lower strata – in the United States and also in the rest of the world. (See section 16.2.3 for the U-shape of the domestic distribution of income from 1933 until 2013.)

It is important to realise that the new package of neoliberal globalist measures was not only deployed in the United States, but made applicable to the rest of the world to counteract the threat that the rest of the world had posed to the power, prestige and progress of the United States during the 1970s. The neoliberal agenda was made applicable to especially the Restern world with unnecessary aggressiveness to avenge the discomfort it had caused the United States during the 1970s. *The purpose of neoliberal globalism was to degrade many countries in the Restern world by ‘recolonising’ them and turning them into satellites of the American-led neoliberal, post-colonial and capitalist global empire.*

There is a huge difference between the means and terms according to which Western Europe became part of the American-led *social democratic* capitalist empire after the Second World War and the means and terms according to which large parts of the Restern world – at different stages since the early 1980s – became part of this empire. While Western Europe after the Second World War became part of the social-democratic empire with a ‘light touch’, and by ‘invitation’ and ‘consensus’, and within the framework of commonly agreed on financial and military pacts, large parts of the Restern world after 1980 became part of the neoliberal empire by aggressive ‘annexation’, by financial intimidation and within the framework of American military dominance.

After 1981 the United States was prepared to acknowledge the independence and sovereignty of all the non-communist states in the Restern world on condition that these states should not only acknowledge the hegemonic and military dominance of the United States, but should also ‘open’ their markets to the aggressive infiltration of Western TNCs and IMIs on terms advantageous for Western countries. Simon Bromley (in Colás and Saull 2006: 45) claims that, ‘it is ... something of a commonplace that the *differentia specifica* of US capitalist imperialism are that it is exercised indirectly *through, between* and *among* states that maintain their *de jure* sovereignty, rather than through direct – that is, colonial – imposition. It is an empire fully attuned to the post-colonial world’.

According to Panitch and Gindin (in Colás and Saull, 2006: 34), ‘the G7 emerged [early in the 1970s] as a forum for Ministers of Finance and Treasury officials to discuss global development [within the American-led empire], forge consensus on [policy] issues and direction ... The IMF and the World Bank were also correspondingly restructured’. The IMF shifted from the ‘adjustment of balance of payment problems to addressing structural economic crises in the third world countries ... and increasingly became the vehicle for imposing a type of [Washington] conditionality in exchange for loans that incorporated global capitalism’s concerns’.

Chalmers Johnson (2004: 261–262) has expressed devastating criticism of the ideology of neoliberal globalist capitalism:

It is crucially important to understand that the doctrine of [neoliberal] globalism is a kind of intellectual sedative that lulls and distracts its Third World victims while rich countries cripple them, ensuring that they will never be able to challenge the imperial powers. It is also designed to persuade the new imperialist that ‘underdeveloped’ countries bring poverty on themselves thanks to ‘crony capitalism’, corruption and failure to take advantage of the splendid opportunities (globalisation) being offered. The claim that free markets lead to prosperity for anyone other than the transnational corporations that lobbied for them and have the clout and resources to manipulate them is simply not borne out by the historical record.

Joseph Stiglitz (2002: 53–59) claims that, ‘fiscal austerity, privatisation and market liberalisation were the three pillars of Washington Consensus advice throughout the 1980s and 1990s’. He continues:

The problem was that many of these policies became ends in themselves, rather than means to more equitable and sustainable growth. In doing so, these policies were pushed too far, too fast, and to the exclusion of other policies that were needed ... The IMF vigorously pursued privatization and liberalization [in the Restern world], at a pace and in a manner that often imposed very real costs on [developing] countries ill-equipped to incur them ... The fact that trade liberalization all too often fails to live up to its promise – but instead simply leads to more unemployment – is why it provokes strong opposition. But the *hypocrisy* of those [in the developed world] pushing for trade liberalization ... has no doubt reinforced hostility [in the developing world] to trade liberalization.

The hypocrisy of the developed countries that push for trade liberalisation was already acknowledged in 1841 by the German political economist Friedrich List (who had immigrated to America). It is shocking that all the developed countries made extensive use of protectionist measures in their long development path but categorically denied, behind their protectionist ‘walls’, impoverished developing countries the opportunity to develop. As List put it:

It is a very common clever device that when anyone has attained the summit of greatness, he kicks away the ladder by which he has climbed up, in order to deprive others of the means of climbing up after him (quoted by Ha-Joon Chang, 2002).

According to Steger (2002: 9), in the concept of 'globalisation' the ideologues of neoliberal globalism found a new guiding metaphor for the neoliberal message:

The central tenets of neoliberalism include the primacy of economic growth; the importance of free trade to stimulate growth; the unrestricted free market; individual choice; the reduction of government regulations; and the advocacy of an evolutionary model of social development anchored in the Western experience and applicable to the entire world.

While the ideologues of neoliberal globalism present the image of a world that has already been 'globalised' and that it is already an all-embracing process, Nef and Reiter (2009: 131–132) point out that globalisation is in effect very restricted:

There has never been a real global society, especially for the vast majority of the poor and disenfranchised. What does exist is a social construction: an *image* of social interactions encapsulated in terms such as 'the global village' ... [But] when we talk about the global village, we are referring to a relatively small portion of humanity: the affluent, the powerful and the informed, who really possess a transnational character. For most workers and for the unemployed, globalization means hardly more than the old notion of an international division of labour: *capital shopping for cheaper wages in various national markets and relocating there as a function of lower costs.* (Italics added)

In the British-American world the acceptance of anti-statism led to the retrenchment of the welfare state as well as to a sharp increase in the unequal distribution of *domestic* income. (See section 16.2.4(b).) Countries in Western Europe did not accept anti-statism immediately after it was embraced by Britain and the US early in the 1980s. European countries tried, as far as possible, to maintain their welfare states and their relatively equal distribution of domestic income. But in due course the American-led neoliberal empire left the European countries with no choice but to implement the 'neoliberal policy package'.

The attitude of the capitalist elite in neoliberal countries on matters concerning the role of the state in the economy is ambivalent. On the one hand, the capitalist elite expects the state to do quite a lot of heavy lifting to enhance its class interests. On the other hand, its orientation is rather anti-statist as far as the interests of the working class are concerned – especially when

it is only possible for the state to deliver social services to the working class by increasing taxation on the capitalist class. It is ironic that the role of the US administration during the period of neoliberal globalism since the early 1980s in promoting the interests of the corporate sector and in creating conditions conducive to capital accumulation became so much greater and so much more visible during the Great Recession. The 2008 'bailout' package of the Bush administration to salvage the banking system from bankruptcy represents the largest nationalisation of private property that has ever occurred in world history. The bailout package of a Republican president, George Bush, finally ended the ideological period of 'anti-statism' introduced by another Republican president, Ronald Reagan. In less than 30 years the Republican Party moved from an anti-statist ideology towards a large-scale pro-state agenda – all on behalf of capital.

Ruth Felder (in Panitch and Konings, 2009: 175–176) claims that a comprehensive review of World Bank intellectual production at the turn of the 21st century

reveals that its attention to institutional and social issues has been driven primarily by the aim to establish the structural conditions for the *global governance* of capitalism, especially the creation and maintenance of an *exploitable and disciplined* global proletariat. [This production of the World Bank was linked] to the IMF's recent efforts to strengthen the international financial architecture, arguing that both institutions have assumed the role of guardians of global capitalism in a way that transcend the particular interest of countries and capitalists ... To fully appreciate [the work of the World Bank and the IMF in the 1990s] more attention must be paid to the IMF's relation to American imperialism and its political project aimed at the creation and reproduction of *institutional conditions for neoliberal globalization* [that will promote the global interests of the USA].

As we described in section 5.4.6, Reagan's neoliberal counter-revolution empowered Western TNCs to enter into partnership industrialisation with those Restern countries that were not heavily indebted, that had already experienced some ISI and EOI, and had a reasonably educated and disciplined workforce at their disposal, which made it possible to produce industrial products at unit labour costs that would be competitive in global markets. In this West-Rest partnership industrialisation, the Western TNCs supplied some Restern countries with foreign direct investment (FDI) and modern Western technology (protected by the rules of the WTO). This partnership industrialisation was advantageous for both the West (which earned a large imperial dividend) and for industrialising Restern countries, which attained higher economic growth rates and higher levels of employment from the partnership industrialisation.

In the case of China and India, many of the products produced through

partnership industrialisation were exported relatively cheaply to the West (and especially to the United States), while China, India and other Restern countries bought American Federal bonds to enable the United States to import the products from the Restern world rather cheaply. In this way a close symbiotic relationship developed over the past 30 years between especially the United States and south-east Asia. While the economies in south-east Asia maintained low levels of consumption and high levels of savings during these 30 years, the economy of the United States maintained high levels of consumption and low levels of savings. The economies of south-east Asia exported increasing volumes of industrial products to the United States (and other Western countries); they also supplied the United States with the necessary buying-power to buy the industrial products produced in the partnership industrialisation. In this way US consumers could maintain their artificial high-mass consumer society until 2008, while they also remained inspired by the false reality created by consumerism.

Western TNCs, however, were not prepared to enter into partnership industrialisation relationships with those Restern countries that were heavily indebted, that did not have meaningful experience of ISI and EOL, and did not have a reasonably educated and disciplined labour force at their disposal. It would not have been possible in these Restern countries to produce products at unit labour costs that would be competitive in global markets. Western TNCs did channel some FDI to Restern countries for purposes of mineral exploitation.

A major *bifurcation* has developed over the past 30 years between those countries in the Restern world that became industrialised with Western support and those Restern countries that remained unindustrialised because Western TNCs were not prepared to support them with industrialisation. In those Restern countries that became industrialised with Western support, a much higher economic growth rate has been attained over the past 30 years. In Asian countries the per capita income increased at such a rate that the unequal *international* distribution of per capita income between Asia and the West became somewhat more balanced. Those Restern countries that remained unindustrialised, however, achieved much lower economic growth rates, while the unequal international distribution of per capita income between them and the West became considerable intensified over the past 30 years (see Arrigi 2004: 10–14). (See Table 7 and Figure 7.)

In those Restern countries that became industrialised with Western support a relatively wealthy elite – consisting of 20 to 30 per cent of the population – has emerged. These wealthy elites act as intermediaries for and collaborators with the American-led global capitalist empire. Although those Restern countries that became industrialised succeeded in lifting some of their poorest people out of their misery, their domestic distribution of income has become considerably more *unequal* over the past 30 years – especially in India and China. This growing domestic inequality could undermine social stability in these industrialising countries.

In those Restern countries that remained unindustrialised, the political and economic elites who act as intermediaries for or collaborators with the American-led global empire are much smaller. These countries have remained poor and have become even poorer. In Africa and in parts of Latin America 60 per cent of the population still live on less than \$1 a day.

Over the past 60 years the United States has built a new global world order that is – from an American point of view – a world of ‘closed frontiers and open markets’. The United States is presently exercising its global power and its *imperialistic plundering* through this system of ‘closed frontiers and open markets’. This American-led empire was constructed with remarkable ingenuity. Its true nature, however, is diabolical. The USA acknowledges the independence of all countries and – with the exception of a few rogue states – also the sovereignty of the governments of these countries. The frontiers of all countries are, therefore, closed. Although this may be the case, over the past 30 years the USA has taken several aggressive measures – in many cases military and/or financial measures – to ensure the *openness* of all the markets in these Restern countries to infiltration and exploitation by the 40 000 American TNCs and the 20 000 TNCs of other Western countries. The USA has taken unilateral steps to regularly prescribe new global rules that must be obeyed by Restern countries when American TNCs infiltrate them. The global rules are regularly changed by the USA to increase its imperial dividends.

Amir Amin (2006: 12) is of the opinion that the Americans’ inclination to change the rules of the global economy as it suits them makes the USA guilty of *global parasitism*. He continues:

The US economy lives as a parasite off its partners in the global system, with virtually no national savings of its own. The world produces while the Americans consume. The advantage of the United States is that of a predator whose deficits are covered by what others agree, or are forced, to contribute. Washington uses various means to make up for its deficiencies: for example, repeated violations of the principles of liberalism, arms exports, the hunting down of oil super-profits ... But the fact is that the bulk of the American deficit is covered by capital inputs from Europe and Japan, China and the South, rich oil-producing countries and comprador classes from all regions, including the poorest, in the Third World – to which should be added the debt-service levy that is imposed on nearly every country of the periphery of the global system. The American superpower depends from day to day on the flow of capital that sustains the *parasitism of its economy and society*. The vulnerability of the United States therefore represents a serious danger for Washington’s project. (Italics added)

In the years immediately after the Second World War the Western countries with colonies in Asia granted independence to these colonies in what is known as the Asian decolonisation process. In the 25 years after 1957 Euro-

pean countries with colonies in Africa granted – in the context of the Cold War – independence to the colonies in Africa in what became known as the African decolonisation process. During the decolonisation of the Asian, African and Oceanic countries independence was granted to more than 70 erst-while Western colonies. The understanding was that all these countries would become independent with sovereignty *equal* to the sovereignty of Western countries. In most cases the newly independent countries were *economically* and *organisationally* (*bureaucratically*) not sufficiently viable to exercise sovereign *equivalence*. With the emergence of the American-led post-colonial, neoliberal and global capitalist empire in the 1980s, many newly independent countries in the Restern world were deliberately ‘*recolonised*’ – some to a lesser extent and others to a rather greater extent – by the American-led neoliberal global empire (see Burbank and Cooper, 2010: 453–459).

Those Restern countries that became industrialised over the past 30 years have retained a reasonable level of sovereignty. Their markets are – with the exception of a few rogue states – fairly easily penetrable by Western TNCs and IMIs. But those Restern countries that remained unindustrialised – and are rather highly indebted – lost a great deal of their nation-state sovereignty. In the case of these Restern countries the principle of sovereign equivalence turned out to be a fiction (see Burbank and Cooper, 2010: Chapter 14). *These countries had indeed been recolonised and degraded into becoming neocolonial satellites of the American-led neoliberal, global capitalist empire*. In the case of these Restern countries it is easy for TNCs to move *into* and *out* of them as they please. The TNCs and IMIs are guilty of exploiting these Restern countries through what David Harvey (2003: Chapter 4) has called ‘accumulation by dispossession’. The criminalisation of the global economy by the emergence of the American-led capitalist empire has had devastating consequences for large parts of the Restern world.

Joseph Stiglitz (2003: 241) is of the opinion that those Restern countries that have been degraded into becoming neocolonial satellites of the American-led neoliberal empire are too powerless (or they lack the necessary sovereignty) to hold accountable the large number of Western TNCs and IMIs that have penetrated their borders for the many negative externalities and malpractices these corporations are committing regularly in their countries. Joseph Stiglitz blames the collapse of Enron into bankruptcy in 2001 on the lack of regulation of the corporate sector. He puts it as follows:

[Enron’s bankruptcy] has become emblematic for all that went wrong in the Roaring Nineties – corporate greed, accounting scandals, public influence mongering, banking scandals, deregulation, and the free market mantra, all wrapped together. [The] overseas activities [of American TNCs] too are an example of the darker side of the United States globalization, crony capitalism and the misuse of United States corporate power abroad.

Joseph Stiglitz (2002: 21–22) acknowledges that the rise of *global* capitalism in the early 1980s was not accompanied by a rise of *global* democracy. We are living in a *global* capitalist world, but there is no *global democratic government* to moderate the excesses, the negative externalities and the criminal acts for which global capitalism/corporatism are regularly and blatantly guilty. Stiglitz (*ibid.*) formulates the ‘crisis’ of global capitalism as follows:

Unfortunately we have no world government, accountable to the people of every country, to oversee the globalisation process ... Instead we have a system that might be called *global governance without global government*, one in which a few institutions – the World Bank, the IMF, the WTO – and a few players – the finance, commerce and trade ministries, closely linked to certain financial and commerce interests – dominate the scene, but in which many of those [in the Restern world] affected by their decisions are left almost voiceless. (Italics in the original)

15.6 The American military empires since the Second World War

The collapse of the Eurocentric world – which had been in place from 1648 until 1945 – after the Thirty-One Years War created circumstances that were conducive to the emergence of the American hegemonic world order. Both the First World War and the Second World War were a huge stimulus to the American economy. According to Paul Kennedy (1988: 357–359), ‘American power in 1945 was, for want of another term, *artificially* high ... The country’s GNP measured in constant 1939 dollars rose from \$88.6 billion (1939) to \$135 billion (1945) ... Although the greater part [of the economic growth during the war] was caused by war production (which soared from 2% of total output in 1939 to 40% in 1943), non-war goods also increased’. In contrast to the situation during the First World War, the USA became very strongly orientated to the *outside world* during the Second World War. Kennedy (1988: 359) notes that, with the traditional great powers fading away, the USA

steadily moved into the vacuum which [the disappearance of the European countries] created; having become number one, [the USA] could no longer contain itself within its own shores or even its own hemisphere. To be sure, the war itself had been the primary cause of this projection *outward* of American power and influence ... In 1945 it had 69 divisions in Europe, 26 in Asia and the Pacific and none in the continental US.

This outward orientation of American military endeavours was strongly stimulated when the Cold War broke out in 1947. The first confrontation between the USA and the Soviet Union was the Berlin Blockade (1948–1949). In 1949 the North Atlantic Treaty Organisation (NATO) was launched to unite the military capabilities of the USA and Western Europe. In 1949 Com-

munist China was united under Mao Tse-tung. The outbreak of the Korean War in June 1950 was interpreted by the USA as part of an aggressive master plan orchestrated by Moscow and Beijing against the Western world.

These events – together with the successful explosion of a nuclear bomb by the Soviet Union in 1949 – convinced the USA that the *containment* of communist expansionism ought to be the supreme military task of the USA and its allies. The events from 1947 until 1950 also triggered a relentless arms race between the USA and the Soviet Union – a race that eventually also included the space race from 1957 onwards.

According to Chalmers Johnson (2004: 30, 35), the USA became an important military empire during the second half of the twentieth century, although it did not have colonies. He puts it as follows:

Today imperialism manifests itself in several different and evolving forms and no particular institution – except for militarism – defines the bigger phenomenon. Imperialism and militarism are inseparable – both aim at extending domination ... The characteristic institution of so-called neo-colonialism is the multinational corporation covertly supported by an imperialist power ... America's foreign military enclaves [or military bases], though structurally, legally and conceptually different forms of colonies, are themselves something like *micro-colonies* in that they are completely beyond the jurisdiction of the occupied nation. The US virtually always negotiates a '*status of force agreement*' [SOFA] with the ostensibly independent 'host' nation.⁴²⁹ (See section 15.6.4 below).

A novel aspect in the development of an effective military apparatus for the American-led global empire after the Second World War was indeed that this empire no longer has territorial colonies, because it is a *post-colonial* empire. According to Münkler (2007:113), 'the American empire now has only *virtual* frontiers, which it defines in accordance with the weapons technology ... of possible counter-players'. The opening of air space, and potentially also outer space, as sphere of imperial conflict has confronted the United States with totally new military challenges. According to Barry Posen (in Brown *et al.*, 2004: 6), 'the United States military currently possesses command of the global commons ... The "commons", in the case of the sea and space, are areas that belong to no one state and that provide access to much of the globe. By being in a position to exert command over the "commons", the United States gets vastly more military use out of the sea, space, and air than do others'. This command over the 'commons' is, therefore, the key military enabler of the United States' global and imperial power today.

From 1947 until 1991 the Cold War was the pretext for the maintenance and extension of an American military empire and military bases against the communist threat. At the end of the Vietnam War the USA changed its military strategy against the communist threat quite drastically by avoiding land wars (such as the two world wars and the Vietnam War). The United States'

new strategy replaced the policy of containment of the communist threat with a strategy of rolling back the successes the Soviet Union had attained in the 1960s and 1970s by instigating left-wing revolutions in Third World countries that had previously been within the American sphere of influence. From the early 1970s the USA conducted CIA-led proxy wars against those countries that experienced left-wing revolutions. The USA persisted with these proxy wars until the implosion of the Soviet Union in 1991. It was only after the collapse of the USSR that the USA was again prepared to conduct land wars against Muslim 'terrorism' in Iraq and Afghanistan, and to maintain and extend its military bases for the sake of globalisation and American-led imperialism.

The Vietnam War had a side effect that in the course of time exerted an enormous influence on the way the USA conducted the Cold War against the Soviet Union. This was the proxy war that the USA fought secretly in Laos during the Vietnam War.⁴³⁰ As the Vietnam War intensified, troops and supplies from the north made their way to the battlefields in the South via the jungles of Southern Laos. According to Mamdani (2004:65–66), 'the United States cultivated a proxy war of local mercenaries and reinforced them with massive airpower.' He continues:

For more than a decade, the CIA led a secret-army of thirty thousand along mercenaries against Communist guerrillas in the mountains of northern Laos. As opposition to the Vietnam War mounted back home, the advantage of proxy war became clear: waged in secret, it was at the same time removed from congressional oversight, public scrutiny and conventional diplomacy.... The Laos model combined proxy war on the ground with a force and relentless American air war... [To finance the war in Laos] the CIA entered into two set of alliances it considered key to waging the Gold War... The first was the Mafia in Italy and France; the second was with anti-Communist Chinese forces along the Burma-China border.

In the mid-1970s the Laos model of proxy war was used to finance the CIA's involvement in drug trafficking to support Unita in Angola and Renamo in Mozambique when these former Portuguese colonies became affiliated to the Soviet Union after General Spínola's coup d'état in Lisbon in April 1974. These proxy wars in Southern Africa, however, were not as successful as the proxy war in Laos. The apartheid regime in South Africa turned out not to be a creditworthy partner in the CIA's proxy wars of Unita against the MPLA in Angola and of Renamo against the Mozambique government. In 1985/86 the USA suspended these proxy wars in Southern Africa. But they did extend the life of the apartheid regime in South Africa by at least a decade.

15.6.1 The first American-led military empire of 'containment' against the communist threat in Korea and in Vietnam

The transition from military preparedness at the end of the Second World War to the adoption of containment as the supreme military strategy against communism at the end of the 1940s occurred relatively easily for the United States. From 1776 until 1945 the USA has been involved in many big wars, in which it was always on the winning side. All these wars were extraordinarily advantageous for the United States – both in terms of territorial expansion and economic growth.⁴³¹ Although America did not have a warrior tradition like the Christian-orientated feudal aristocracy in Europe, after the Second World War it had ample reason to be extremely positively orientated towards making war and building strong military capacity. Its belligerent orientation after the Second World War was further stimulated as the ideology of hyper-nationalism was assiduously propagated in elite circles in the decades after the Second World War. (See section 4.4.3 above.)

According to Johnson (2004: 54–56), from 1953 the military expenditure of the Federal government did not drop below \$300 billion (in 2002 dollars). After 1950 military expenditure experienced four significant peaks. The first two peaks occurred during the first American-led military empire (1947–1975) and the last two during the second American empire of militarism (after 1981). The first peak was reached during the Korean War (1950–53), when defence spending increased from about \$150 billion in 1950 to just under \$500 billion in 1953. Most of the additional money went into nuclear weapons development and in stockpiling the so-called 'Cold War garrisons'. The second build-up financed the Vietnam War. Defence spending in 1968 was over \$400 billion in 2002 dollars. The third boom was Ronald Reagan's splurge against the alleged 'evil empire'. This included massive spending on weapon systems such as the B-2 stealth bomber and on high-tech research and development for Reagan's Strategic Defence Initiative (SDI), funds that were largely hidden in the Pentagon's 'black box'. A further new weapons spending binge was stimulated by public reaction to the 9/11 attack and the consequent wars in Iraq and Afghanistan, and in countries such as Libya, Egypt and Syria. Over and above the public money that was spent on the military empire over the past 60 years, we must also add the money that was collected secretly by the CIA – mainly through the drug trade – and spent secretly on a great variety of proxy wars and on low-intensity conflicts (LICs) (see below).

In the five years after the Second World War the position in the Far East was somewhat turbulent. Once Japan was coerced into surrendering after two nuclear bombs were dropped on Japanese cities, the huge empire that had been built by Japan during the war had to be dismantled. This led to the American policy of containment facing all kinds of stresses and criticism from the Republican Party in the USA. When North Korea attacked South Korea across the 38th parallel in June 1950, the USA rushed to support South Korea. The Korean War (1950–53) was extraordinarily costly and demon-

strated to the world that communist China was prepared to intervene and that it was strong enough not to bend to the will of Western powers. Although the Korean War ended in a stalemate, it nonetheless gave the United States an opportunity to demonstrate its policy of containment and enabled the Pentagon to convince Congress to increase military spending quite sharply on the so-called 'Cold War garrisons'.

15.6.2 The American military crises of the 1970s

In section 15.5.2 we discussed the period of mild systemic chaos that was experienced by the United States from 1968 until 1982. The Vietnam War was an important contributing factor to the financial, fiscal and economic problems that confronted the United States during the 1970s. Productivity growth in the US private sector declined from 2.4 per cent (1965–1972), to 1.6 per cent (1972–1977), to 0.2 per cent (1977–1982). During the 1970s many Americans were uncertain about where the capitalist world was heading and about the justification for America's high levels of military spending. During this time United States was plagued by stagflation combined with low rates of economic growth, large public sector deficits, two major oil crises and military defeat in Vietnam as well as in the Egypt-Israel War of 1973 (see Johnson 2004: 258–259).

The end of the Vietnam War marked the high point of the anti-war movement that swept the United States in the 1970s. In the 1976 election a host of anti-war legislators was elected. In February 1976 the United States Congress passed the Clark Amendment that prohibited any covert aid to any side in the Angolan civil war. The War Powers Act (1973) stipulated that congressional approval was necessary before any extended deployment of United States troops overseas could take place. At this stage the United States intended to occupy higher moral ground than its adversaries; it affirmed that in the foreign policy of a democratic country (such as the USA) 'openness should be the rule, secretiveness the exception – not the other way around' (see Mamdani, 2004: 80–83).

In the three years from 1979 until 1981 several important events occurred, mainly in the Middle East, which drastically changed the military situation for the USA. In 1979 the Iranian Revolution turned one of the USA's closest friends in the Muslim world into the fundamentalist Islamic regime of the Ayatollah Khomeini.⁴³² Also in 1979 Saddam Hussein became the leader in Iraq. In September 1980 Saddam – fearing Iranian influence among Iraqi majority Shi'ites – invaded Iran with the open encouragement of the USA. In 1979 the Soviet Union invaded Iran's neighbour, Afghanistan, in an attempt to protect the pro-Soviet regime in Afghanistan. The Soviet invasion of Afghanistan immediately elicited a huge CIA operation in Pakistan – and in the rest of the Islamic world – to recruit and arm *mujahideen* fighters to join the anti-Soviet guerrilla resistance (or proxy war) in Afghanistan. And in 1979 the Sandinista rebels staged a left-wing revolution in Nicaragua.

The USA did not have diplomatic relations with Iraq after the 1967 Arab-Israeli war. But as soon as the Iraq-Iran war erupted in 1979, the USA and the CIA gave comprehensive military support to Saddam Hussein. The USA regarded the Iraq-Iran War as advantageous to its interests in the Middle East and hoped that these two countries would do maximum damage to each other. Washington restored full diplomatic relations with Bagdad in 1984 and stepped up sales to Saddam of a range of munitions, including helicopters used in spreading chemical weapons in the increasingly brutal war between Iraq and Iran, which lasted until 1988. The friendly relations with Saddam were maintained by the USA until the moment that Saddam attacked Kuwait in August 1990 (Johnson, 2004: 222–225).

A somewhat awkward feature of the Iraq-Iran War (1979–1988) was that while the USA gave military support to Iraq, Israel gave military support to Iran. It is possible that the USA and Israel shared the same strategic objective: to prolong the Iraq-Iran war as long as possible (see Mamdani, 2004: 111–112).

15.6.3 The second American-led military empire of ‘rollback’ during the Soviet War in Afghanistan (1979–1991)

a) The Afghan War as the high point of the Cold War (1981–1991)

When Ronald Reagan became president in 1981, he was immediately confronted with the serious military and ideological revolutions that had erupted in 1979 and 1980. His immediate response was to devise a double strategy. First, he allowed the CIA to continue with its proxy war (Laos-style) against the Soviet insurgents in Afghanistan that was started by President Carter with the support of Pakistan; second, he stepped up the policy of *containment* against the Soviet Union. Reagan described the Soviet Union in 1981 as an ‘evil empire’ and increased military spending quite sharply on weapons systems and on high-tech research (see Johnson 2004: 56).

During his first term in office Reagan was pressurised by conservative groups in the Republican party and in the Pentagon to acknowledge that the policy of containment vis-à-vis the Soviet Union was outdated and that a more offensive approach against the USSR and pro-Soviet governments in the Third World was necessary.⁴³³ During his first term in office Reagan gradually realised that the USA was preparing for a war against the massing of Soviet troops on the plains of Europe (where the two world wars had taken place), while it was in fact unlikely that such a land war would take place again. In about 1985 Reagan became convinced that the ideological and military defeat of US-backed dictatorships in the Third World by the Soviet Union was evidence that the Soviet Union was ‘on a roll’ and that the situation demanded that all possible resources should be marshalled by the USA to ‘roll back’ the Soviet Union ‘by all means necessary’ (see Mamdani 2004: 120).

After the Clark Amendment was repealed in 1985, it became possible

for the Reagan administration to elevate the winning of the Cold War into the central issue of American foreign policy. According to Mamdani (2004: 95–100, 125) Reagan decided in 1985 to shift the American strategy of co-existence and containment towards one that would ‘roll back’ the ideological victories the Soviet Union had attained in Third World countries since the end of the Vietnam War. According to Mamdani (2004: 12–13), Reagan’s shift from ‘containment’ to ‘rollback’ called for the subordination of *all means* to a single end: *total war against the ‘evil empire’*. Mamdani (2004: 97–98) calls this ‘rollback’ strategy to reverse the military and ideological victories of the Soviet in the Third World since 1985 ‘the Reagan Doctrine’. He defines it as follows:

With the shift in military strategy to rollback, a clear distinction was made between *counter-insurgency* and *low-intensity conflict* [LIC]: the ambition of counter-insurgency during the Vietnam era had been to defeat revolutionary insurgents; low-intensity conflict aimed to undermine revolutionary *governments* [in the Third World]. In his 1985 State of the Nation address President Reagan boldly pledged to assist anti-Communist forces fighting pro-Soviet governments ‘on every continent from Afghanistan to Nicaragua’. Covert LIC operations were to be carried out by Special Operational Forces [SOFs] [With the Reagan Doctrine] began an idealization – or *ideologization* – of counter-revolutionary forces and their choice weapon, *terror*. This was particularly so with regard to the contras in Nicaragua, Unita in Angola and the *mujahideen* in Afghanistan.

Proxy wars that were designed by Kissinger as a makeshift and pragmatic way of avoiding congressional oversight during the Vietnam War were turned into a full-blown *ideological assault under the Reagan administration*. LICs had several attractions over proxy wars: they offered the prospect of waging a war without declaring it, without the draft and with few soldiers deployed. According to Mamdani (2004: 99), Colonel Oliver North ‘repeatedly affirm[ed] that US national security justifies the employment of covert paramilitary operations and the calculated *dissemination of false and misleading information to conceal such operations from adversaries*’.

Mamdani (2004: Chapter 3) regards the war against the Soviet insurgency in Afghanistan as the high point of the Cold War. When the Soviet Union invaded Afghanistan in 1979, President Carter entered into an agreement with Pakistan to supply Islamist contras in a proxy war against the Soviets in Afghanistan. During the Reagan presidency there was sustained cooperation between the CIA and Pakistan’s Inter-Service Intelligence (ISI). According to Mamdani (2004: 126–131), these two secret agencies come to share a military and a political objective.

[The military objective] was to provide maximum firepower to the *mujahideen* [in Afghanistan]; and politically, to create the most radically

anti-communist Islamist state to counter Soviet forces [in Afghanistan]. The combined result was to flood the region not only with all kinds of weapons but also with the most radical Islamist recruits. They flocked to ISI-run training camps in Pakistan where they were ‘ideologically charged with the spark of holy war [or *jihad*] and trained in guerrilla tactics, sabotage and bombing’. The Islamist recruits came from all over the world, not only Muslim-majority countries ... This [was] the setting in which the US organised the Afghan *jihad* and that informed its central objective: to unite a billion Muslims worldwide in a holy war, a crusade, against the Soviet Union, on the soil of Afghanistan ... Reagan signed the National Security Directive 166 [in March 1985], authorizing stepped up covert military aid to the *mujahideen* and it made clear that the secret Afghan war had a new goal: to defeat Soviet troops in Afghanistan through covert action and encourage a Soviet withdrawal.

The *jihad* in Afghanistan against Soviet soldiers was financed partly by billions of dollars given for CIA covert operations and partly by huge amounts of heroin and opium that were produced in the Pakistan-Afghanistan borderlands.⁴³⁴ At the same time USA privatised all operations of the *jihad* in Afghanistan. One of the paymasters of the *jihad* was the enormously successful Pakistan bank, *Bank of Credit and Commerce International* (BCCI). Soon after the end of the Afghan war the BCCI collapsed in 1991, undermined by charges of fraud, bribery and conspiracy in New York courts.

Chalmers Johnson (2004: 139–140) regards the use of private corporatism to give military training to the *mujahideen* in Afghanistan – beyond the knowledge and control of Congress – as one of the most unfortunate consequences of the Afghan war. The top 35 of these private military companies (PMCs) in the USA are today the most profitable businesses in the country. The Iraq war has been extraordinarily advantageous to American-based PMCs since 2003. During the rollback wars in Afghanistan and the ‘War on Terror’ after 9/11, the PMCs made such huge profits that the capitalist elite in the USA adopted the slogan, ‘Permanent war offers profits for the ruling class’. The adoption of this slogan exposes as never before the true nature of *capitalist imperialism* in the British-American world since 1713.

According to Johnson (2004: 139), ‘the Americans were uninterested in the religious beliefs, political loyalties, or attitudes towards the West of those they were recruiting, and arming [for the *mujahideen* in Afghanistan]. Once the Soviet Union was defeated, the Americans abandoned Afghanistan [as well as the rest of the Islamist fighters] to its fate. In Afghanistan freedom fighters, mainly Islamic fundamentalists, turned against the United States ... Muslim militants retaliated [against the USA] throughout the 1990s’.

The large numbers of Islamist fighters who participated in the Afghan *jihad* were trained in terror tactics, in waging holy wars and in political ideologies. All these Islamist fighters shared an experience that shaped their ideological orientation and their political perspective. They were trained and linked

together in an international *jihad* in Afghanistan. The problem that arose after the Afghan war was that there was no organisation in Islamic countries that could coordinate the Islamist fighters' experiences in international *jihad* to resolve local problems in these countries. The result was chaotic disillusionment and a massive destabilisation of large parts of the Islamic world. In this situation the USA had no choice but to continue with its low-intensity conflict against militant nationalist regimes – especially in the Muslim world. During the first and second Iraq wars (in 1991 and 2003) low-intensity conflicts were transformed into *high-intensity direct warfare* (HIDW) against Islamic 'terrorists' (see Mamdani 2004: Chapter 4).

This high-intensity direct warfare turned out to be highly embarrassing for American-led military imperialism after the end of the Cold War. These wars have seriously undermined the trustworthiness and the international legitimacy of the USA. While the Reagan Doctrine succeeded in defeating the Soviet threat in Afghanistan, it destabilised, militarised and criminalised large sections of the population in the Islamic world. The great difference between the Soviet threat and the Islamic threat to the Western world was that the Soviet threat was not religiously motivated, while the Muslim threat is intensely religiously motivated. This difference makes the Islamic threat much more dangerous for the USA than the Soviet threat had been. In the long run the USA will in all probability pay a high price for the *ideologisation*, the *destabilisation* and the *criminalisation* of the Islamic world in its struggle against the Soviet Union.

It is, however, important to acknowledge that it was not only the *muja-hideen* in Afghanistan that led to the implosion of the Soviet Union in 1991. Another factor was the extraordinary technological progress – especially in military technology – that was made by the USA in the second half of the twentieth century and which enabled it to outplay the Soviet Union in a spectacular way.

The meeting between Reagan and Gorbachev in Reykjavik in 1986 was mainly about the reduction of intermediate-range nuclear weapons in Europe. While they were discussing the United States' Strategic Defence Initiative (SDI, or the 'Star Wars' programme), the ability of the USA to launch a supercomputer microchip military revolution was revealed to Gorbachev. When he was confronted with this military revolution, Gorbachev immediately realised the immense technological underdevelopment of the Soviet Union by comparison with the USA.

According to ULF Hedetoft (in Streeter, 2009: 254), Gorbachev realised at Reykjavik that the two superpowers were 'simply beyond comparison in terms of political, economic or ideological structure, but more importantly, [also] with respect to economic, political, technological and military power'. Hedetoft continues:

The Reykjavik [moment] ... symbolically crystallises ... all of the systematic, pragmatic endeavours of the United States to achieve global suprem-

acy and all of the illusionary policies of the USSR to catch up with and be recognised by its ideological adversary. This moment points irrevocably forward towards the pivotal turning point [in the Cold War] ... and the abdication of the Soviet Union from the aspirations it once harboured for (equal) superpower status [with the United States].

The Soviet Union's abandoning of its aspirations to be an equal superpower implied that after Reykjavik Gorbachev had no choice but to abandon the Brezhnev doctrine of 1968 – that is, the right of the Soviet Union to maintain control in its eastern European sphere of influence. When Gorbachev did this, he also had no choice but to abandon the military and financial support the Soviet Union was giving to several militia groups (including the African National Congress fighting apartheid in South Africa) who were conducting proxy wars to expand Soviet influence. Shortly after Gorbachev withdrew Soviet involvement in Eastern Europe and, for example, support for the ANC, the Berlin Wall came down. Two years later the Soviet Union imploded.

The relationship between the USA and Iraq since the early 1980s was marked by three phases, according to Mamdani (2004:180–181):

The first phase was an alliance in which the US supported Iraq in the war against Iran ... The second phase, the Gulf War that followed Saddam's occupation of Kuwait, was a war of vengeance. The third phase was a vicious low-intensity high-casualty campaign [that started in 2003] conducted through the office of the United States; in reality this was nothing short of an officially conducted and officially sanctioned genocide, primarily of children, most under five ... The Gulf War became an example of the price that must be paid by any regime in the Third World that violates the terms of its alliance with the United States.

According to PW Singer (in Brown *et al.* 2004: 519), 'the confluence of three momentous dynamics at the turn of the twenty-first century created a new space and demand for the establishment of the privatised military industry (PMI): (i) the end of the Cold War and the vacuum this created in the market for security; (ii) transformations in the nature of warfare in Pakistan and Iraq; and (iii) the normative rise of privatisation [in the era of neoliberalism capitalism]'. The rise of the PMFs and military-orientated multinational corporations (MNCs) is presently of the utmost importance to the defence of the American empire, which is at the same time a global empire and an empire without frontiers.

Samir Amin (2006: 12) describes the American hegemonic strategy, which operates within the framework of a new 'collective imperialism' as one that 'seek nothing less than the establishment of Washington's military control over the entire planet'. He continues:

[This strategy] is the means to ensure privileged access to all of the world's natural resources and to compel subaltern allies, Russia, China and the whole third world to swallow their status as vassals. Military control of the planet is the means to impose, as a last resort, the draining of 'tribute' through political violence – as a substitute for the 'spontaneous' flow of capital that offsets the American deficit, the Achilles heel of its hegemony. The aim of this strategy is neither to ensure open markets for all (which exists only in the propaganda of neoliberal sycophants) nor, of course, to make democracies prevail throughout the world. Europe in particular, but also the rest of the world, will have to choose between two strategies, either to invest their 'surplus capital' ('savings') in financing the US consumption, investment and military expenditure deficit, or to use the surplus as a boost for the economy in their own countries.

To protect the interests of the United States and the interests of the approximately 50 000 transnational corporations domiciled in the United States, it was deemed necessary by the United States government to mobilise the 'power of privatisation' and to bring about a 'privatisation of power' on behalf of the United States. This new development is, of course, not without serious dangers. Although this kind of privatisation may be an effective way to protect the amorphous American global empire, it can deprive the American government of the ability to maintain effective control over its own military apparatus. The Private Military Corporations (PMCs) however, represent a much greater danger for other countries and especially for countries in the Rest of the world. Many of the countries in the Rest cannot defend themselves against the Western PMCs, especially when these PMCs are faceless and their national origin cannot be identified. We have reason to suspect that several PMCs – whose national identity is obscured – are operational in Africa to gain control over oilfields, diamond deposits and other minerals (see Singer in Brown *et al.* 526–528; Kinsey 2006: Chapters 6 and 7).

b) The American-led empire of military bases, globalisation and ultimately of militarism

During the Cold War standard military doctrine in the USA held that overseas military bases were necessary to protect conventional military power, especially in a nuclear world and as symbols of American military power. After the Cold War the USA continued to acquire military bases in almost every corner of the globe 'to maintain absolute military preponderance over the rest of the world' (Johnson 2004: 151).

Chalmers Johnson (2004: 28) claims that 'imperialism is hard to define but easily recognised ... The simplest definition of imperialism is the domination and exploitation of weaker states by stronger states'. Johnson is consequently of the opinion that, although the USA has not colonised territories over the past 60 years, it is still an imperialistic country (2004: 23 and 25–26).⁴³⁵

The political philosopher Hannah Arendt (1958: 125) wrote that, 'the central political-idea of imperialism is expansion as a prominent and supreme aim of politics'. Johnson (2004: 257) regards Arendt's statement as being 'true of all empires, and now [there is] an insatiable American appetite for more *military bases*. Imperialism cannot exist without a powerful military apparatus for subduing and policing the peoples who stand in its way and an economic system for financing an expensive and largely unproductive military establishment'.

According to Johnson (2004: 152), all the arguments put forward by the USA cannot 'entirely explain the expanding [US] empire of bases'. Johnson continues:

The only truly common elements in the totality of American's foreign bases are *imperialism* and *militarism* – an impulse on the part of [the American] elites to dominate other peoples largely because [Americans] have the power to do so, followed by the strategic reasoning that ... [America] must expand the areas under [its] control with still more bases. To maintain its empire [of bases] the Pentagon must constantly invent new reasons for keeping in [American] hands as many bases as possible long after the wars and crises that led to their creation have evaporated.

Johnson (2004:187) claims that, 'wars and imperialism are Siamese twins joined at the hip. Each thrives off the other. They cannot be separated. Imperialism is the single greatest cause of war, and war is the midwife of new imperialist acquisitions'. Imperial wars of the past led to the acquisition of new colonies or empires in distant lands and continents. According to Johnson (2004: 188, 189, 214), this is no longer the purpose of American imperial wars. He continues:

What is most fascinating and curious about the developing American form of empire is that in its modern phase it is solely an empire of bases, not of territories, and these *bases* now encircle the earth in a way that, despite centuries-old dreams of global domination, would previously have been inconceivable ... It was not until World War II that [the American] empire of bases achieved its global reach, and the United States still seems to regard its continuing occupation of its former Axis foes as something akin to a natural birth right. The Korean War, though it ended in stalemate, nevertheless projected [America] onto the Asian mainland ... With the end of the Cold War, [the USA] resumed [its] march towards empire.⁴³⁶

After the implosion of the Soviet Union and after the American victory in the Gulf War of 1992, American attitudes of triumphalism and arrogance took hold of the American imagination. The Americans became more convinced than ever before of their military power protected by the approximately 800 military bases in every corner of the world; they also became more convinced

than ever before about the alleged virtues of the American economic model of market fundamentalism, and about the alleged role the USA was playing in the process of globalisation to the alleged benefit of the world population at large. The 1990s were a decade of American optimism and American globalisation, or globalism, par excellence. In 1999 President Bill Clinton told an audience: 'Today we must embrace the inexorable logic of globalisation – that everything from the strength of our economy to the safety of our cities, to the health of our people, depends on events not only within our borders, but half a world away'.

To propagate its ideology of globalisation in the 1990s, the USA claimed that the process of globalisation is something inevitable to which the rest of the world should adapt if they want to survive. Johnson (2004: 260) puts it as follow:

Perhaps the most deceptive aspect of globalization was its claim to embody fundamental and inevitable technological development rather than the conscious policies of Anglo-American political elites trying to advance the interest of their own countries at the expense of others.

Although the USA claimed in the 1990s that globalisation is an 'automatic' process that is 'irresistible', 'inevitable' and 'irreversible', the American-led empire of globalisation deemed it necessary during the 1990s to consolidate its global economic power by deliberately negotiating the 'Uruguay Round' of international trade (1986–1994) and to create the World Trade Organisation (WTO) on 1 January 1995. Both the WTO and the Trade-Related Intellectual Property Rights Agreement (TRIPS) are enhancing the powerful economic and military position of the USA vis-à-vis the developing world and also preventing developing countries from using the foreign technology employed by the industrialised nations.⁴³⁷

The American-led empire of globalisation and American optimism that drove the process were rather short-lived. On 11 September 2001 the American-led empire of globalisation and the spirit of optimism were replaced with the American-led empire of militarism and pessimism. In October 2008, when the Great Recession commenced, American pessimism became much deeper. Johnson (2004: 257, 272) describes the aftermath of 11 September 2001 as follows:

Whereas the Clinton administration strongly espoused *economic* imperialism [within the framework of globalisation] the second Bush government was unequivocally committed to *military* imperialism. The Bush administration's adoption of unilateral preventive military action undercut the international rules and norms on which [global] commerce depends ... The overemphasis on militarism and unilateralism in the US [after 9/11] has radically weakened the effectiveness of international law, eroding the façade of legality that supports the WTO rules. At the same time, the

interests of economic globalists have begun to clash, particularly over the rise of an obvious future superpower, China. The economic globalists have invested more heavily in manufacturing in China than in any other places outside the Anglo-American world. The militarists, on the other hand, are already plotting to contain China, militarily if necessary, to decide future global supremacy.

The poison of the American-led military empires set up after the Second World War has permeated the public culture of the USA to a regrettable extent. The fact that the American military empire has metamorphosed into an empire of *militarism* has transformed the USA not only into a rogue state, but into the most dangerous rogue state the world has ever experienced.

c) American militarism and imperialism without international legitimacy

Chalmers Johnson (2004: 58–65) claims that:

the onset of militarism is commonly marked by three broad indicators. The first is the emergence of a professional military class and the subsequent glorification of its ideals ... The goal [of military] professionalism is to produce soldiers who will fight solely and simply because they are ordered to do so and not because they necessarily identify with the political goals of war ... The second political hallmark of militarism is the preponderances of military officers or representatives of the army industry in high government positions ... The third hallmark of militarism is a devotion to policies in which military preparedness becomes the highest priority of the state. In his [2001] inaugural address, President George W Bush said: '*We will build our defences beyond challenge, lest weakness invite challenges. We will confront weapons of mass destruction, so that a new century is spared new horrors*',⁴³⁸

As we indicated in section 4.4.3, the ideology of American *hyper-nationalism* took a new turn with the emergence of the *neo-conservative* ideology in the 1990s. This ideology was propagated much more aggressively by the Republican government of George W Bush after 9/11. After the neocons convinced Bush to embark on Operation Iraqi Freedom, he 'reinvented' – according to Timothy Parsons (2010: 425–430) – the rhetoric advancing the notion that the US invaded Iraq to promote the interests of the Western civilisation. Parsons (2010: 425–426) puts it as follows:

The informal imperial Bush administration assumed [in 2003] that it was still possible to employ the tactics that earlier American administrations had used to replace uncooperative regimes in Central America ... As with the new imperialism, Bush officials masked the inherent self-interest of Operation Iraqi Freedom with humanitarian rhetoric. The benefits of

western civilization once again justified aggressive military enterprise, and the *neo-imperialist* gang [of the Bush administration] asserted that these 'gifts' [to Iraq] could be imposed from above and largely at gunpoint. [Italics added]

The Bush Doctrine that attempted to justify his unilateral invasion of Iraq in 2003 – with imperial justifications that were no longer applicable in the ideological atmosphere of the twenty-first century – was nothing but a mask for the ideology of militarism that permeated intellectual discourse in the USA early in the century. The absurdity of the Bush Doctrine in trying to justify Operation Iraqi Freedom in terms of the ideologies and the imperial practices characteristic of the American expansionism of the nineteenth century was demonstrated clearly by a statement in October 2001 by Max Boot, a journalist and fellow at the Council of Foreign Relations: 'Once we have deposed Saddam, we can impose an American-led international regency in Baghdad ... With American seriousness and credibility thus restored, we will enjoy fruitful cooperation from the region's many opportunities, who will show a newfound eagerness to be helpful in our larger task of rolling up the international terror network that threatens us' (Max Boot, 'The Case for American Empire', *Weekly Standard*, 15 October 2001: 27). The tendency of the American-led empire of militarism towards self-delusion is astonishing and dangerous for the rest of the world.

15.7 Serious fault lines in the structure of American-led empires

Immanuel Wallerstein (2003: 13) is quite categorical in his conviction that the USA is in decline and that it will disintegrate:

The United States has been fading as a global power since the 1970s and the US response to the terrorist attacks has merely accelerated the decline. To understand why the so-called Pax Americana is on the wane requires examining the geopolitics of the 20th century, particularly of the century's final three decades [i.e. the period of neoliberal imperialism]. This exercise uncovers a simple and inescapable conclusion: The economic, political and military factors that contributed to the US hegemony are the same factors that will inexorably produce the coming US decline.

In Chapter 14 we described the anti-systemic movement against the second pattern of Western European empires that started in the last quarter of the nineteenth century and accelerated during the Thirty-One-Years War to reach its zenith in the decolonisation of Asia (in the 1940s) and of Africa in the 1960s and 1970s. Although the world has experienced a second anti-systemic movement from the last decades of the twentieth century, we must be careful not to discover too many similarities between the anti-systemic movement that led to the demolition of the European empires of the nineteenth century

and the anti-systemic movement against the American-led empires at the turn of the twenty-first century. For the new anti-systemic movements at the turn of the twenty-first century see Wallerstein (2003: Chapter 12).

Chalmers Johnson (310) describes the vulnerability of the American empires as follows:

Empires do not last, and their ends are usually unpleasant. Americans like me [i.e. Johnson], born before the World War II, have personal knowledge ... of the collapse of at least six empires: those of Nazi Germany, imperial Japan, Great Britain, France, the Netherlands and the Soviet Union. A combination of imperial overstretch, rigid economic institutions, and an inability to reform weakened all these empires, leaving them fatally vulnerable in the face of disastrous wars, many of which the empires themselves invited. There is no reason to think that an American empire will not go the same way – and for the same reasons.

When we identify the multiple fault lines in the structure of today's American empire, we are obliged to take full account of the ecological crisis that only emerged in the decades after the Second World War. It is projected that the disruptive effects of the ecological crisis are going to be even more serious in parts of the Restern world during the next 30 years than in parts of the Western world. These Restern countries have been drained by the invisible American-led neoliberal empires to such an extent that they have almost certainly been deprived of the ability to manage the burdens of the escalating ecological and poverty crisis. Consequently, the USA will be saddled with multiple ecological crises and much poverty and violence in large parts of the Restern world, parts that have been impoverished deliberately by the American-led neoliberal financial, corporative and military empires. These crises are going to be so serious from a humanitarian point of view that it will be impossible for the USA to ignore them. Consequently, almost unbearable pressure will be brought to bear on an already vulnerable USA (see Paul Collier's book: *War, Guns and Votes*, 2010).

15.7.1 Fault lines in the American-led financial empire

During the anti-systemic movement against the European empires of the nineteenth and early twentieth centuries, the gold standard was one of the major economic advantages of the British Empire. In the American-led empires that emerged after the Second World War, US Federal bonds replaced gold as the world's most important reserve and payment currency. In section 15.4.3 we quoted Hudson (2003: 20, 23–4), who is of the opinion that the financial leverage of the American-led financial empire was stronger from the mid-1980s, when the USA became a debt empire, than it was when it was a credit empire in the 70 years from 1918 until 1985. It would be wrong, however, to conclude from the twentieth-century experience, when the fi-

nancial leverage of the American-led financial empire became stronger as the US debt increased, that this power would become even stronger during the twenty-first century if American foreign debt continues to grow. If US foreign debt were to increase in an *unrestrained* way during the next decade or two – as happened from 1980 – the American-led financial empire could lose its credibility and world confidence in the USA could decline. This will happen when US federal bonds lose their value as gold lost its value in the 1930s. Hudson (2003: 20–24) describes US financial power since the mid-1980s as ‘the economic miracle of modern times’. It is unlikely that this miracle will continue in the twenty-first century.

American national debt increased from \$1 trillion in 1981 to nearly \$4 trillion in 1991 (Arrigi 1994: 316–317). At the beginning of 2012 US national debt increased to more than \$15 trillion, while it is projected that it will surpass \$23 trillion in 2015.

Ferguson (2004: 279–285) claims that the USA has been a ‘debtor empire’ and that this phenomenon should be understood as part of ‘a world of globalised capital flows’. One possible reason why so much overseas capital flows into the US ‘is that the American economy [is regarded as] the engine of global [economic] growth and foreign investors simply want a “piece of the action”’. According to this explanation, ‘a substantial and rising share of the foreign holdings of American bonds are in fact in the hands of East Asian central banks, which have been buying dollar assets in order to keep their own currencies from appreciating against the dollar’. If the East Asian currency were to appreciate sharply against the dollar for some reason, the East Asian countries’ export capacity to the USA would be seriously harmed.

What is also remarkable – according to Ferguson (*ibid.*) – ‘is a neat symmetry between the American propensity to consume and the Chinese propensity to save’. From about 1990 China and India have essentially been playing the role that Japan played in the 1980s by channelling their surplus savings into the American current account and fiscal deficits. It is, however, unrealistic to expect that the savings patterns in East Asia and the consumption patterns in the USA will remain in a stable inverse relation to one another. What complicates matters is that the devaluation of the dollar over the past 40 years was very much to the advantage of the USA because it enabled the USA to collect from foreigners the special tax known as *seigniorage*, i.e. the transfer from the holders of a currency to its issuer that automatically occurs when the value of that currency is diminished.⁴³⁹ We cannot exclude the possibility that a sharp devaluation of the dollar at a future date might turn out to be more costly to East Asian’s banks than to the US economy. In such an eventuality the East Asian banks may be motivated to get rid of their large holdings of US federal bonds, with catastrophic results for both the USA and for East Asia.

The US national debt is presently greater than its GDP. This situation appears not to be alarming if compared with Japan’s situation, where the national debt amounts to more than 200 per cent of Japan’s GDP. But while

the Japanese government borrows overwhelmingly from its own people, the USA borrows from foreigners. Sebastian Mallaby (*Time Magazine*, 9 May 2011) acknowledges that 'US government securities are revered in the financial world as a risk-free asset ... [and as a] safe haven in times of trouble'. Mallaby also grants the point that 'if China was to engineer an inverse crisis, in which the customary lifeboat became the source of the storm, a different order of panic might ensue: [then] there would be nowhere to hide; nobody would trust anybody'.

The symbiotic relationship that has developed over the past 30 years between the USA and China is indeed remarkable. The Chinese government owns an estimated \$1.2 trillion worth of US Treasury bonds or 14 per cent of the total held by investors. The huge financial intertwinement between the USA and China may prove to be the soft underbelly of the American-led financial empire. During the past 200 years China experienced several internal revolutions that were exceptionally bloody and violent.⁴⁴⁰ It is quite likely that, given China's high economic growth rate and the growing inequality in its domestic distribution of income, China is going to experience, another major social revolution that could seriously derail the symbiotic relationship that has developed between the US and Chinese economies over the past 30 years. In such an eventuality the US economy's close entanglement with China could prove to be the undoing of the American-led empire.

The power of American-led financial power is based on the American tendency to consume and the East Asian tendency to save. The American tendency towards ever-increasing consumption patterns was cultivated artificially in the twentieth century to counteract the alleged American tendency towards over-production and over-consumption. The tendency towards ever-increasing consumption levels has been driven by consumerism and by the financialisation of the American global economy. But consumerism, financialisation and speculation are self-destructive tendencies – not only for the USA, but also for the Restern world that is exposed to the seduction of American consumerism but without the production capacity to justify a high consumer standard of living (see Zygmunt Bauman's book *Consuming Life*, 2007).

In section 15.5.2 we noted Wallerstein's (2009: 12–13) point that the Old Left was replaced by the New Right in 1968. Over the past 40 years the New Right – driven mainly by the American Republican Party – sought to reduce all the major cost of production, 'to destroy the welfare state in all its versions and to slow down the decline of US power in the world system'. Wallerstein continues:

The onward march of the world right seemed to culminate [in 1989/91] with the implosion of the Soviet Union that led to a sudden new *triumphalism* of the world's right ... What was sustaining the accumulation of capital since the 1970s [i.e. parallel with the rise of the right] was the turning from seeking profits via productive efficiency to seeking profits via financial manipulation, more correctly called *speculation*. The key mechanism of speculation is encouraging consumption via indebtedness.

If we take the ideological grip of the New Right on American political and social life into account since the Great Recession of 2008, it is difficult to see how financial manipulation, growing speculation, the financialisation of the global economy, growing indebtedness and typically American consumerism can be turned around in the USA. The phenomenon of right-wing power could turn out to be the Achilles heel of American financial power.

15.7.2 Fault lines in the American-led neoliberal capitalist/corporatist empire

An important challenge facing the USA today is whether it can perpetuate in the twenty-first century the economic success that it attained during the twentieth century. Michael Cox (in Colàs and Saull 2006: 120 and 125, describes the economic and financial success of the USA as follows:

[The] international economy as a whole flourished to such an extent that between 1947 and 2000 there was a twentyfold increase in the volume of the world trade and 70 per cent in gross world product ... [The American] have lasted not just because [it was] feared, but because [it] performed a series of broader political and economic functions which no other state or combination of states was willing or able to undertake ... American still has a great deal of power. ... However, as Max Weber and Lord Acton have taught us, power is not the same thing as authority and unlimited power is always likely to corrupt those who exercise it. And this, it would seem, is precisely what has happened to the United States under [the second] Bush ... [A first problem] facing the United States, therefore, revolves around the issue of *power* and the extent to which hit own imperial behaviour is already beginning to generate various forms of resistance.

A second problem facing the United States is, according to Cox (in Colàs and Saull, 2006: 127) whether the American empire would continue to have the 'ability to deliver a bundle of [international], economic goods in the form of improved living standards, economic opportunities and [economic] growth worldwide'. Cox is of the opinion that the United States 'can no longer [take] the economic dominance it once enjoyed ... for granted, especially in an age when it is becoming increasingly dependent on the financial largesse of other to manage its growing debt.' Cox came to the following important conclusion:

America and American lives ... [are] in deeply troubling times where the old economic truths are coming under challenge. In some ways, the modern imperialists in Washington could not have thought of a more inauspicious time to start building the 'the new' American empire [for the twenty-first century].

Michael Mann (2003: 13) is of the opinion that the American-led capitalist empire is already in decline, because it has deteriorated into an 'incoherent empire' that cannot 'configure' the four sources of social (or imperial) power – political, military, economic and ideological – in a *coherent* way. (See section 2.1.) He puts it as follows:

[The American] military has a soft underbelly – reluctance to take casualties; its economic 'tribute-taking' is increasingly fragile; its own democracy is weakening while global democracy is strengthening global resistance against the US; and the US is recoiling from American values which have had a universal appeal ... These lead not to general collapse but to *imperial incoherence* and foreign policy failures.

Mann (2003: 13, 16) illustrates his argument about the decline of the American empire with a rather ghastly metaphor:

The American Empire will turn out to be a military giant, a Back-set economic driver, a political schizophrenic and ideological phantom. The result is a disturbed, misshapen monster stumbling clumsily across the world ... My conclusion will be that in reality the new American imperialism is becoming a new American militarism. But that is not sufficient for Empire. Those who live by the sword ...

Peter Evans (in Gallagher 2005: 195–197) is, however, of the opinion that the American-led neoliberal empire is too strong vis-à-vis the Restern world and therefore in a position to unilaterally make 'global ideology, legal rules and economic power structures' applicable to the Restern world and which 'limit and distort the policy options available to the global South'. In sharp contrast with the 'developmental' approach that was made applicable to the Restern world in the third quarter of the twentieth century, the American-led empire recolonised many of the erstwhile colonies over the past 30 years, degraded them into becoming 'debt colonies' and made the prescriptions of the Washington Consensus applicable to them.

While the per capita income of some Asian countries as a percentage of the per capita income of the West ($pci\ Asia/pci\ W$) increased over the past 30 years, the inequality gap between the rest of the Restern world and the West became bigger. This increased pauperisation of many countries in the Restern world made them much more dependent on the USA and more vulnerable to global setbacks such as the Great Recession. As the BWI turned the screws on indebted Restern countries during the Great Recession, there was political and social unrest in countries such as Tunisia, Libya, Egypt and Syria. In the eventuality of a deepening of the Recession in the USA and a further increase in US foreign debt, the USA may be inclined to put even more pressure on impoverished Restern countries. This could in turn incite political unrest in in these countries, which would leave the US with no choice but to become

the world's fire engine, quenching the flames in the Restern world – but with the risk of instigating more fires worldwide that may consume the USA itself.

Peter Evans (in Gallagher 2005: 195–196) gives the following negative description of the United States:

The current behaviour of the US as an *irresponsible and crassly self-seeking hegemon drastically exacerbates the negative structural features of the global system*; three negative aspects of the current global political economy [can be mentioned]: the simultaneously fragile and oppressive character of the global financial system; the ‘rigged rules’ of the global trading system; and, perhaps most important, *the political enforcement of the economic privilege of transnational corporations based primarily in the rich countries of the North*, as epitomised by recent policies with regard to ‘intellectual property rights’ ... Neoliberalism preaches the false universalism of ‘free trade’ for all, while, in reality, the *contemporary neoliberal trading system does not offer the South a ‘level playing field’* ... *The Reagan administration dismantled the New Deal regulatory structures that had been put in place to counteract the speculative financial practices of the 1920s, and unleashed the financial sector* ... With the institutional restraints gone, the Wall Street-driven preoccupation with short-term stock value gradually transformed the character of American corporatism [in the decades after 1980]. (Italics added).

Jan Nederveen Pieterse (2004: 1–5) makes a clear distinction between *globalisation* and *neoliberal* (American) *globalisation*. He puts it quite unequivocally:

Most protest against globalization concerns *neoliberal globalization and arguably this is the actual problem*, rather than globalization *per se* ... Since the 1980s, the growing impact of neoliberal policies has added to the globalization package, deregulation, marketization, financialization ... and the ideology of lean government. The Reagan reforms attacked the labour and civil rights movements, weakened workplace and environmental regulations, and cut back public services.

It is more than 30 years since the Reagan package was implemented. After 30 years there can be little doubt that Reagan turned the American version of capitalism into an immoral and criminal system. Joseph Stiglitz (2003: 241) regards the Enron bankruptcy as emblematic of the darker side of the US's misuse of its corporate power abroad.

Enron ... became emblematic of all that went wrong in the roaring nineties – corporate greed, accounting scandals, public influence mongering, banking scandals, deregulation, and the free market mantra, all wrapped together. It overseas activities are an example of the darker side of US globalization, crony capitalism and the misuse of US corporate power.

Reagan *unbridled* the American corporate sector with his neoliberal package of deregulation, privatisation and liberalisation measures. With this neoliberal package more power, more freedom, more 'space' were allotted to the TNCs. This enabled capitalist corporations over the past 30 years to gallop like unbridled wild horses all over the world, unconcerned about who or what they trampled under their heavy hooves. The fact that neither the government of the USA nor the governments of other countries could bridle or restrain these wild creatures and make them accountable for all their misdeeds has transformed American capitalism over the past 30 years into an immoral and criminal system. At the same time the American-led social-democratic capitalist empire metamorphosed into a destructive and parasitical empire. The American-led capitalist empire has done immeasurable harm to the USA and to the rest of the world over the past 30 years. This version of neoliberal capitalism has been so destructive worldwide that in spite of the growth in the World GDP over the past 30 years, the world's general wellbeing has decreased quite drastically.

Susanne Soederberg (in Colás and Saull 2006: 157) describes the American-led post-colonial neoliberal global capitalist/corporatist empire as it retrogressed from 1982 until the early twenty-first century as follows:

American imperialism refers to a historically specific expression of domination and exploitation of the United States vis-à-vis other countries. Since it is a moment of global capitalism, American imperialism [from the early 1980s on] is both highly dynamic and *contradictory* in nature. On the one hand, the American imperial state must constantly *recreate* the conditions of its power by ensuring, inter alia, that all states, particularly subordinate or poorer states, *adhere to the international rules and laws in order to facilitate the reproduction of capitalist social relations [in the United States]* ... In this way the American imperial state takes charge of *recreating* the conditions of its power through ideological and coercive means. On the other hand, since capitalism is inherently prone to crisis, there is a need to deepen and expand continually various strategies of exploitation. (Italics added)

Chalmers Johnson describes in his book *Blowback* (2000: 224–225) the effect of imperialism on capitalism:

Marx and Lenin were mistaken about the nature of imperialism. It is not the contradictions of capitalism that lead to imperialism, but imperialism that breeds some of the most important contradictions of capitalism. When these contradictions ripen, as they must, they create devastating economic crisis. Once the Cold War had ended and the United States had decided to try to convert its 'slipping pre-eminence into an exploitative hegemony', it set out to compel every significant economy on earth to *re-model* itself along American lines ... Instead of attempting to homogenize

the global economy, [the USA] should be championing results-orientated trade of mutual benefit to nations that do not have identical economic systems. Foreign countries with entirely different legal, economic and political systems do not need the International Monetary Fund to forcibly impose on them what is a dubious form of capitalism even in the United States. ... World politics in the twenty-first century will in all likelihood be driven primarily by the blowback from the second half of the twentieth century – that is, from the unintended consequences of the Cold War and the crucial American decision to maintain a Cold War posture in a post-Cold War world.

15.7.3 Fault lines in the American-led empire of militarism

In spite of the awful nature of the US capitalist empire, American *militarism* represents one of the most serious fault lines in the structure of the American imperial edifice. Chalmers Johnson (2004: 285) is of the opinion that if the present trends in American militarism continue, four sorrows are certain to be visited on the United States. Their ‘cumulative impact guarantees that the United States will cease to bear any resemblance to the country once outlined in its Constitution’. He continues:

First, there will be a state of perpetual war, leading to more terrorism against Americans wherever they may be and a growing reliance on weapons of mass destruction among smaller nations as they try to work of the imperial juggernaut. Secondly, there will be a loss of democracy and constitutional rights as the presidency fully eclipses Congress and is itself transformed from an ‘executive branch’ of government into something more like a *pentagonised* presidency. Thirdly, an already well-shredded principle of truthfulness will increasingly be replaced by a system of propaganda, disinformation and glorification of war, power and the military legions. Lastly, there will be bankruptcy as we pour our economic resources into ever more grandiose military projects and short-change the education, health and safety of our fellow citizens.

Herfried Münkler (2007: 152) is of the opinion that the USA is vulnerable because it ‘has too little of the kinds of power that matter’. Münkler puts it as follows:

Global markets give rise to an imperialist interventionism and a succession of peace-making wars, which may yield a precarious kind of global *supremacy* but not a new *world order*. Increasingly the United States will be forced to bank on its military strength rather than economic integration and cultural attractions – that is, to convert soft power into hard power. *The American cycle, like the British before it, will end in peripheral wars and increased deployment of its armed forces ... The American em-*

pire will therefore fail in a relatively short period because of the mismatch between the problems requiring solutions and its limited capacity to solve them. What will be decisive ... is that America has too little of the kinds of power that matter in the twenty-first century, and too much of those which are today of only limited relevance. (Italics added)

The American-led neoliberal capitalist empires have become a serious threat to the USA's own – and the world's – safety since the end of the Cold War. There is no longer pressure on the USA to behave in exemplary ways in the international arena. When the track-laying vehicle in empire-building does not give moral leadership, then the military power of the empire-building country becomes a danger to itself and to the rest of the world. Mahmood Mamdani (2004: 202–203) puts it as follows:

Once the Cold War was over and the United States stood as the world's sole superpower, it felt free to renounce treaties it considered no longer in account with its interests, at the same time openly coercing the assignment of leading personnel in UN agencies ... [The administrations of Reagan and the second Bush] claim that there is a sharp opposition between the [international] rule of law and democracy, two values that have with hitherto been seen as cornerstones of Western civilization. [But] *post-9/11 America has scuttled any possibility of an international rule of law and has claimed impunity for American power in the name of spreading democracy internationally.* (Italics added)

Herfried Münkler (2007: 156) identifies a pattern in US war-making over the past 50 years of declaring war under false pretences. This pattern has the potential to draw the USA into war-making that can be self-destructive. He puts it as follows:

American military interventions have drawn on a wide range of lies and deceit: from the so-called Tonkin incident in 1964, which was used as a pretext for the first air strike against North Vietnam; through the supposed killings of Kuwaiti babies in incubators, which ostensibly motivated an American attack on Iraq in 1990–91; down to the claim that Saddam Hussein's weapons of mass destruction were a threat to the free world. Such trickery has regularly been cited as proof of the thorough duplicity of the foreign policy of the United States, which conjures up threats and dangers to impose its own interests and to extend its sphere of influence.

The American interventions that are based on 'a wide range of lies and deceit' can be functional in the perpetuation on the American-led militarist empire, but this approach is going to undermine all residence of democracy and social justice.

15.8 Issues of reparative and distributive justice after 500 years of Western empire building

Apart from the predacious character of Western empires and the huge transfer of economic resources that has taken place from the periphery in the Rest to the core in the West over the past five centuries, an equally damaging aspect of Western empires is the social disruption and the social displacement that Western imperialism has caused for millions of people in the Rest. When a Western empire occupies a conquered country, it does not only destroy traditional social relations, but imposes its own social system as far as its army has power to do so. In the majority of cases Western empires have had – and still have – more than enough military power (and other methods of repression) to do this. In many cases imperial armies and economic dominance were powerful enough to defeat or suppress local resistance. And in many cases superior military power was used in such relentless ways that several genocides were committed.

Apart from Latin America and Asia, the most striking examples of large-scale social displacements took place in Africa. During the scramble for Africa at the end of the nineteenth century large-scale colonial mapping took place. Artificial boundaries were drawn by the European colonisers to create ‘states’ in Africa in accordance with the European model of nation-states. These boundaries divided ethnic groups between different colonial states or forced different ethnic groups to live together in new, artificial states. Many of the civil and border wars in Africa after independence were a direct result of the arbitrary way in which Africa was divided into nation states by European countries. (See Chapter 12.) A similar artificial mapping took place in Asia Minor when the Ottoman Empire collapsed after the First World War. The consequences of this latter round of mapping are – in today’s world – even more threatening for world peace than the mapping undertaken in Africa (see Davidson, 1992).

The greatest displacement of people that took place as a result of Western imperialism is the slave trade – especially from Africa to the Americas. It is estimated that between 12 and 15 million African slaves were shipped to the Americas from 1620 to 1888. To the number of slaves we should also add the millions of prisoners and indentured labourers who were transported by Western empires to their colonies. Adam Hochschild (2005:2) claims that, ‘at the end of the eighteenth century, well over three quarters of all people alive were in bondage of one kind or another, not the captivity of striped prison uniforms, but of various systems of slavery or serfdom. This age was the high point in the [slave] trade in which close to eighty thousand chained slaves and shackled Africans were loaded onto slave ships and transported to the New World each year’.

Western empires did not only affect the non-European world negatively through economic exploitation and social disruption. They also inflicted a multitude of *psychological* and cultural wounds on the subjugated peoples,

wounds that cannot be healed. Barbara Bush (2006: 135–137) puts it as follows:

Imperialism not only had socio-economic consequences for the colonized, but generated psychological and cultural conflicts which remain unresolved. Cultural oppression left a lingering psychology of *inferiority and dependency*, a problematic internalization of Western superiority. *This 'colonization of the mind' was arguably one of the most intractable and damaging legacies of colonial rule ...* Material and cultural power were, and remain, two interrelated prongs of Western hegemonic power. Additionally, cultural change cannot be divorced from violence, psychic or physical, and here the history of colonialism arguably equates with the Nietzschean definition of history as a 'barbarous narrative of debt, torture and revenge, of which culture is the blood-stained fruit' (Nietzsche, cited in Eagleton 2000: 108). (Italics added)

David Abernethy (2000: 381–383) claims that it was fairly easy for the powerful Western empire-building countries to inculcate an *inferiority complex* in the minds of colonised people in the Rest:

In many situations Europeans quickly and easily subdued indigenous peoples. Those early encounters took place across lines of racial and cultural differences but also across the gap of power inequality ... It was but a short mental leap for people superior in power to infer that they were superior in intellect, morality, and civilization as well. The superiority complex served as a rationalization for colonial rule and, by reducing qualms over the rightness of dominating [Restern] people, was empowering in its own right ... Just as formerly colonized peoples struggled to throw off an internalized *inferiority complex*, so those who once ran the world found it difficult to abandon the belief that they were truly *superior* to everyone else ... Edward Said's influential study *Orientalism* (1978) emphasized how perceptions shaped by power and self-interest distorted Europeans' view of themselves and the colonized Other.

According to Bush (2006: 290), the humiliation and suppression of the non-European people in the Rest are not restricted to the period of *formal* imperialism. She claims that, 'neoliberal globalisation [since 1981] ... has imposed a violent *post-colonial imperialism*, deepened race, class and gender hierarchies, undermined vulnerable communities, adversely impacted the economies and culture of those lower down in the [racial] hierarchy and created a system of global apartheid.'

David Abernethy (2000: 406) avers that one of the most reprehensible aspects of colonialism was 'its deliberate, systematic and sustained assault on human dignity'. He continues:

The assertion of cultural and racial superiority accompanying European rule had devastating effects on the self-respect of many people. In myriad, unobtrusive ways [Western] rulers violated the right of their subjects not to be individually and collectively demeaned ... Colonized peoples learned the lesson ... to accept the charge that they were indeed *inferior*. This psychological complex [of inferiority] hampered their will and limited their capacity to live full, satisfying lives.

Thomas McCarthy (2009: 227–236) is of the opinion that it is unavoidable that the West comes to terms with humankind's racist and imperialist past, for that past 'weighs like a nightmare on the brains of the living' (quoting Karl Marx). According to him, 'those [Western] nations that have been historically implicated in the *expropriation* of native lands, the *extermination* of native populations, the slave trade, colonial *exploitation*, and imperial *domination* have a *moral, political obligation to remedy the wrongs of their own past injustice*, to redress the continuing harm that resulted from it.' McCarthy thinks, however, that 'until these vast differentials [between the development in the West and the underdeveloped in the Rest] are levelled down, there can only ever be "uneven" development: many weak, impoverished, post-colonial societies will never "catch up", and thus the "underdevelopment" constructed by colonialism will become their inescapable fate.' (Italics added)

McCarthy (2009: 236) acknowledges that the moral-political obligation that rests on the shoulders of Western empire-builders to rectify their evil deeds will not be easy to discharge, because 'existing transnational institutions and arrangements are fundamentally *unjust and immoral*.' He describes the challenge facing the world at present – given the inequalities of wealth and power that have accumulated over five centuries in the hands of the Western elite – as follows:

We are dealing here with historically accumulated and systematically reproduced inequalities of wealth and power, and thus with issues of *reparative* as well as *distributive* justice. Centuries of expropriation, extermination, enslavement, and empire, which were part and parcel of the rise of capitalism [in the West], left its beneficiaries with vastly more *power than its victims to set the ground rules of the post-colonial global order*. The laws and conventions, treaties and organization, procedures and institutions that constitute [the present world] order *tend to systemically advantage the already advantaged and disadvantage the already disadvantaged*. (Italics added)

Issues of reparation and distribution justice cannot be addressed if the Western countries that have enriched themselves over a period of 500 years do not show the necessary remorse for the evil they have inflicted on the people in Restern countries. But until now the Western empires – and especially the British and the Americans – have not even been prepared to acknowledge

explicitly the damage their imperial endeavours have brought about in the Restern world. It is, therefore, unsurprising that they are not prepared to display remorse for the misery they have inflicted on millions and millions of people in the underdeveloped Restern world.

ENDNOTES

- 404 The United States bought Louisiana from France (1803), East Florida from Spain (1819) and the Pacific Northwest from Britain (1846). After unprovoked wars against Mexico from 1848 to 1850, Texas, California, New Mexico and Arizona were bought from Mexico. Alaska was bought from Russia (1867) and the Philippines from Spain (1898). The total price that was paid for all these areas was less than a \$100 million or about 20 cents per acre. Over a period of 100 years 93 per cent of the territory of the United States was bought with American dollars.
- 405 During the Mexican War (1846–1848) an American newspaper in 1848 extolled ‘the right of our manifest destiny to overspread and to possess the whole of the [American] continent which Providence has given to us for the development of the great experiment of Liberty and Federal self-government entrusted to us’ (quoted by David Reynolds in Hogan, 1993: 252). When the idea of manifest destiny was used during the annexation of Texas in 1845, it became markedly racialised given that the African slaves, the Amerindians and the Mexicans who were conquered, dominated and exploited by the United States in the nineteenth century were almost all non-European.
- 406 The US share of world manufacturing output increased from 14.7 per cent in 1870 to 44.7 per cent in 1953 (Table 8). According to Kennedy (1988: 243), ‘the US seems [during the first three decades of the twentieth century] to have had all the economic advantages which *some* of the other countries possessed *in part, but none* of their disadvantages’. (Italics in the original)
- 407 From 1913 until 1925 the manufacturing output of the United States increased from an index of 100 in 1913 to 122 in 1920 and to 148 in 1925 (Kennedy, 1988: 2002). With this rapid process of industrialisation the United States joined the European countries as an industrialised empire that ruthlessly exploited the inhabitants of the Restern world.
- 408 According to André Gunter Frank (1971: 324–325), ‘the private business corporations that developed in the United States in the decades after the First World War were “monopoly” instruments of neo-imperialist developments. With World War I the world capitalist system began a new stage of development ... Beginning typically in the United States but then arising also in Europe and Japan, the simple industrial firm or financial house of old was replaced by the *nationally-based but world-embracing and really international giant monopoly corporation, which is a multi-industry (producer)* ... [The corporation is] its own worldwide purchasing agent, salesman, financier, and often the de facto government in many satellite countries and increasingly in many metropolitan ones as well ... Metropolitan monopoly corporation and state ... brought forth new instruments of foreign investment and finance ... by which monopoly capitalist development is furthered in the metropolis at the cost of development or still deeper underdevelopment in Latin America.’

- 409 Chomsky (1996: 71–73) quotes from Robert Brady’s 1943 book, *Business as a System of Power*: ‘Within the [American] corporation all policies emanate from the control [from] *above*. In the union of this power to determine policy with the execution thereof, all authority necessarily proceeds from the top to the bottom and all responsibility from the bottom to the top. This is, of course, the inverse of “democratic” control; *it follows the structural conditions of dictatorial power*. What in political circles would be called legislative, executive and judicial powers [are gathered into the] “controlling hands” [which] so far as policy formulation and execution are concerned are found at the peak of the pyramid and are manipulated without significant check from its base’. As *private power ‘grows and expands, [it is transformed] into a community force ever more politically potent and politically conscious’, ever more dedicated to a ‘propaganda program [that] becomes a matter of converting the public ... to the point of the control pyramid’*. (Italics added)
- 410 Robert Brenner (2006: 25–27) conceptualises the situation of ‘over-capacity and over-production’ (two terms he always uses together) as one ‘when there is not sufficient demand to allow high-cost firms to maintain profitability’.
- 411 JM Keynes comes to the important conclusion in his *General Theory* (1936: 373) that ‘in contemporary conditions [of the Great Depression] the growth of wealth, so far [i.e. in the nineteenth century] being dependent on the abstinence of the rich ... is [now] more likely to be impeded by it.’ With this argument Keynes removed not only the justification for great inequalities of wealth, but also the justification for abstinence.
- 412 Edward Bernays, a nephew of Sigmund Freud, was a major promoter of the idea of consumerism. Bernays was intrigued by Freud’s view that people are bundles of emotions, passions and desires, and that the real motive for human action is the satisfaction of deep-seated *desires* rather than rational calculations. Bernays saw that American companies needed to transform the way that people thought about their purchases, so that they would forget about trying to meet their rational *needs* and instead aim to fulfil their (artificial) *desires*. In the 1920s *consumerism or consumptionism* was born. President Calvin Coolidge declared that an ‘American’s importance to his country is not as a citizen, but as a consumer’. While Britain’s capitalism emphasised *savings* in the nineteenth century, American capitalism emphasised *consumption* in the twentieth century. See Osborne (2006: 429, 461) and Victoria de Grazia (*Irresistible Empire*, 2005) on the importance of the consumerist revolution and the embracing of high living standards in the USA in the twentieth century.
- 413 Martijn Konings and Leo Panitch (in Panitch and Konings (eds) 2009: 228–229) claim that ‘US capitalism entered the twentieth century demonstrating a remarkable capacity to integrate and subsume small business, professionals, middle-class strata and working-class consumers’. They continue: ‘On this basis, the US developed the industrial innovations that became identified by the first decades of the twentieth century with Taylorism and Fordism – both of which re-organised mass production so as to make a high-wage proletariat functional to industrial capitalism ... [In 1927] Edwin Seligment’s *The Economics of Instalment Selling* captured the ethos of Fordism in the new mass consumer age ... [This ethos] was crucial in the explosion in demand for consumer durables that transformed the retail service sector with the aid of a massive advertising industry, whose expenditure at the end of the 1920s was five times what it had been

- before the First World War. The specifics of American finance's engagement with labour, capital and the state were such as to give rise to unprecedented expansion of the financial system. *The rise of consumerism, the corporate revolution in American industry and the exponential increase in government expenditure ... fuelled a demand for credit and financial services that banks and other intermediaries were in an excellent position to meet*. (Italics added)
- 414 The US government was also actively involved in the Spanish-American War (1898), in the US maritime empire in the Caribbean islands, in the Philippines and in the building of the Panama Channel. (See section 15.2 above.)
- 415 From 1940 to 1944 industrial expansion in the United States rose at an annual rate of over 15 per cent a year. Although the greater part of this growth was the result of war production, the production of non-war goods also increased. While the United States GNP had surged by more than 50 per cent in real terms during the war, in Europe it had fallen by about 25 per cent. After the war the American standard of living was higher than that of any other country, while its labour productivity was also the highest (see Kennedy 1988: 368).
- 416 The first American-led militaristic empire stretched from the start of the Korean War (1950) until the end of the Vietnam War (1975). The next American-led militaristic empire stretched from the early 1980s, when Reagan increased military expenditure sharply to counteract the 'evil empire' of the Soviet Union and when the CIA was involved in several proxy wars. From the early 1980s the United States was involved in several militaristic excursions, of which the wars against the Soviet Union, Iraq and Afghanistan were the most important.
- 417 Between 1948 and 1995, when GATT was replaced by the World Trade Organisation (WTO), international trade expanded from about \$124 billion to \$10.772 billion (Johnson 2004: 259).
- 418 At the Bretton Woods Conference in 1944 the price of one ounce of gold was determined at \$35. The United States committed itself to buying gold at that ratio until Nixon closed the 'Gold Window'. Amidst inflation and trade deficits Nixon's closure of the 'Gold Window' led to an increase in the price of gold and to the 'floating' of international currencies. By the end of 1974 gold had soared to \$195 an ounce. After that it stabilised at about \$150 an ounce but increased to almost \$1 200 and even to ± \$1 800 in 2012. Since 1971 gold has no longer played a direct role in determining international exchange rates.
- 419 When Reagan entered the White House in 1981 the Federal budget deficit stood on \$74 billion and the total national debt at \$1 trillion. By 1991 the budget deficit had quadrupled to more than \$300 billion a year and the national debt had quadrupled to nearly \$4 trillion (Arrighi 1994: 316–317). In 2012 the US national debt was more than \$15.2 trillion.
- 420 The per capita income of Latin America, Africa, Russia and Eastern Europe have declined quite sharply in the period of neoliberalism, when American institutions made structural adjustment programmes applicable to the indebted countries in the Restern world. From 1973 until 2003 the pci Latin America / pci West declined from 33.8 per cent to 24.3 per cent, the pci Africa / pci West declined from 10.5 per cent to 6.5 per cent and the pci Russia and Eastern Europe/pci West declined from 42.9 per cent to 31.9 per cent. In the industrialising dollar-surplus countries in Asia the pci Asia/pci West increased from 9.2 per cent in 1973 to 16.2 per cent in 2003 (Table 7 and Figure 7).
- 421 Robert Biel (2000: 65) describes the consolidation of West-West interdepen-

dence in the post-war period as follows: 'At the time [i.e. during the post-war period] the "Free World" was a melting pot in which transnational and other capitalist actors were forging a Northern dominance of a new type, predominantly multilateral. This was not always apparent at the time, and other industrial powers [in Europe] often reacted with old-style resentment over what the USA was doing. But these differences were eventually patched up because ultimately [at least from the early 1980s] it became clear that the United States-inspired world order was, first of all, benefiting capital accumulation as a whole [in the West] and, second, promoting West-West interdependence; little by little, the whole capitalist world became aware of these benefits [of West-West interdependence]'.

- 422 Maier continues: 'Productivity and aggregate economic growth had to increase in tandem ... [The] Americans also told the Western Europeans that forthcoming prosperity would liberate their political and economic system from destructive distributional conflicts [with the trade unions] ... America's rise to an imperial role brought with it – as every imperial system tends to do – a transnational principle for the organisation of production as well as military security. Heroic entrepreneurship, technological innovation based on mass production, large unions accepted as legitimate collective actors, non-inflationary wages keyed to productivity, completed the [American] package [for Europe].'
- 423 Between 1970 and 1978 the accumulated value of United States foreign investment doubled from \$78 billion to \$168 billion, while that of non-United States (mostly European) foreign direct investment more than tripled from \$72 billion to \$222 billion (see Arrighi 1994: 304). The number of TNCs increased from fewer than ten thousand in 1970 to more than fifty thousand at present. Remarkably enough, the biggest single economy in Europe in 1968 (when Servant-Schreiber published his book) was not any European nation, but the total output of American corporations operating within the common market (De Gracia, 2005: 368).
- 424 While the per capita income of Western Europe was only 48 per cent of the per capita income of the United States in 1950, it increased to 68 per cent in 1973 (Table 6).
- 425 Kennedy (1988: 515) claims that the United States faced imperial overstretch when the 'decision makers in Washington' had to face 'the awkward and enduring fact that the sum total of the United States' global interests and obligations' in the mid-1970s was 'far larger than the country's power to defend them all simultaneously'. After more than two decades it seemed as if the United States' imperial overstretch had become even more serious. By January 1975 the price of oil was six times what it had been in 1973. During the Iranian crisis of 1979 the world experienced a further increase in the price of oil and a second oil shock.
- 426 From 1975 to 2010 the Scandinavian and Benelux countries annually gave almost 0.7 per cent of their GDP as ODA, while the average ODA given by the United States over this period of almost 40 years was only 0.11 per cent per annum of its GDP! Britain decided recently to give 0.7 per cent of its GDP as ODA to the Restern World.
- 427 Just as the communication and transportation revolutions of the first Industrial Revolution in the mid-nineteenth century supported the structural globalisation on which Victorian globalisation at the end of the nineteenth century was based,

- so the communication and transport revolutions during the third quarter of the twentieth century supported the structural globalisation on which the American globalisation was based in the latter part of the twentieth century.
- 428 The ideologues of globalisation claim that ‘a rising tide lifts all boats’ and that globalisation would benefit all people in the course of time. Jeffrey Sachs’s (2005: 326) response to the slogan was that ‘a rising tide does not reach the mountaintops of the Andes or the interior of Asia and Africa’.
- 429 The SOFAs are drafted in such a way that national courts cannot exercise jurisdiction over US military personnel who commit crimes against local people.
- 430 For more than a decade the CIA led a secret army of 30 000 mercenaries against communist guerrillas in the mountains of northern Laos. As opposition to the Vietnam War mounted back home, the advantages of a proxy war became clear: waged in secret, it was removed from congressional oversight, public scrutiny and conventional diplomacy. The Laos model combined proxy war on the ground with a fierce and relentless American air war.
- 431 The USA won the War of Independence against Britain (1776–1783) and the wars against Mexico during the middle decades of the nineteenth century; the Northern States of the United States won the Civil War (1861–1865) against the Southern states; the United States won the wars against the Amerindians in the second half of the nineteenth century, the Spanish-American war in 1898, and both world wars in the twentieth century.
- 432 Iran had been supplying Britain with oil from early in the twentieth century. In 1953 the British and the Americans orchestrated a coup d’état in Iran and put Shah Mohamed Reza Paklovi in control of Iran. The Iranian Revolution of 1979 overthrew the Shah and brought to power an anti-American, nationalist and fundamentalist Islam regime. In November 1979 the revolutionaries in Iran seized the American embassy in Tehran, taking all employees hostage and holding them until January 1981, to the great embarrassment of the Carter administration.
- 433 A Republican group called the Committee of Santa Fe alleged in the early 1980s that ‘containment of the Soviet Union is not enough’. It concluded: ‘It is time to sound a clarion call for freedom, dignity and national self-interest which will echo the spirit of the people of the US. Either a *Pax Sovietica* or a world-wide counter-projection of American power is in the offing. The hour of decision can no longer be postponed’ (quoted by Mamdani 2004: 96).
- 434 While the Pakistan-Afghanistan borderlands produced only 5 per cent of global opium in 1980, the region produced 71 per cent in 1990. The heroin economy literally *poisoned* Afghan and Pakistani life permanently.
- 435 Johnson puts it as follows: ‘In modern times, unlike many other empires, we [i.e. the USA] did not annex territories at all. Instead we took (or sometimes merely leased) exclusive military zones within territories, creating not an empire of colonies but an empire of [military] bases. Those bases, linked through a chain of command and supervised by the Pentagon without any significant civilian oversight, were tied unto [America’s] developing military-industrial complex and deeply affected the surrounding indigenous cultures almost invariably for the worst ... They have turned [the United States] into a new kind of military empire – a consumerist Sparta, a warrior culture that flaunts the air-conditioned housing, movie theatres, supermarkets, golf courses, and swimming pools of its legionaries ... Whatever the original reason the United States entered a country

and set up a base, it remains for imperial reasons – regional and global hegemony, denial of the territory to rivals, providing access to American companies, maintenance of “stability” or “credibility” as a military force, and simple inertia’.

- 436 Johnson continues: ‘Our 1994 war against Serbia, our two wars with Iraq, and our war against the Taliban and Al Qaeda in Afghanistan allowed us to expand [the American] empire of overseas bases into the broad southern Eurasian region stretching from the Balkans in the West to the Chinese border in the East ... After the collapse of the Soviet Union [America] began to wage war at an accelerating pace whose publicly stated purposes were increasingly deceptive or unpersuasive ... These were de facto imperialist wars, defined by propaganda claims of humanitarian intervention, women’s liberation, the threat posed by unconventional weapons, or whatever current buzzword happened to occur to White House or Pentagon spokespersons ... After the attacks of September 11, 2001, we waged two wars, in Afghanistan and Iraq, and acquired 14 new bases’.
- 437 According to Johnson (2004: 270), TRIPS ‘proved to be a gold mine for transnational corporations. Its purpose was to prevent developing countries from copying or stealing proprietary technology in the same manner the current advanced countries had done in their processes of economic growth.’ Both the WTO and TRIPS should be regarded as institutions which are tasked to commit daylight robbery from the Restern world. When they were institutionalised, the Restern world was blatantly deceived by all kinds of lofty promises all of which proved to be false.
- 438 Johnson (2004: 64–65) quotes Robert Steel (1967: 17–18) as follows: ‘Having grown accustomed to our empire and having found it a blessing, we have come to take its intuitions and assumptions for granted. Indeed, this is the mark of a convinced imperial power: its advocates never question the virtue of empire ... and they do not for a moment doubt that it is in the best interests of those whom it rules’.
- 439 According to Fergusson (2004: 283), ‘dollar devaluation has been the device Americans have periodically used to reduce the real value of their external liabilities’.
- 440 The most important Chinese revolutions were the White Lotus Rebellion (1796–1800), the Taipeng Rebellion (1850–1864), the two Opium Wars (1839 and 1858), the Boxer uprising (1900), the implosion of the Chinese empire (1911), the Civil War in the first half of the twentieth century, the struggle for power between the Nationalists, the Communists and the Japanese (1936–1949). After the Communist Revolution of 1949 Mao Zedong launched the Great Leap Forward (1948) and the Great Proletarian Cultural Revolution (1966).

Part IV

**CAPITALISM AND GROWING DOMESTIC
INEQUALITIES DURING THE PAST 500 YEARS**

Chapter 16

SUCCESSIVE POLITICO-ECONOMIC SYSTEMS AND THE ALMOST UNINTERRUPTED DOMINANCE OF 'CAPITALISMS' OVER 'DEMOCRACIES' SINCE 1500

For all its bravado, contemporary capitalism is at an impasse. It continues to form powerful forces of production, yet is apparently incapable of applying these forces so as to satisfy the basic needs of the world's population. There is economic growth, but also mass poverty and environmental destruction (JF Sitton, 2003: 1).

The main focus of this book is the inequalities in the *international* distribution of income between Western and Restern countries over the past 500 years. During this period Western countries played a dominant role in exploiting the Restern world through their multifaceted imperial enterprises.

A study of Western empires and inequalities would be incomplete, however, if we did not also concentrate on inequalities in the *domestic* distribution of income and wealth in Western countries over the past 500 years. We indicated in section 4.3 that since 1713 Western empires have been driven mainly by British-American versions of capitalism. Only in the third quarter of the twentieth century were Western empires not driven by these versions of capitalism. To simplify matters, in this chapter we focus only on the role that successive versions of capitalism have played in the distribution of *domestic* income and property in Britain and the United States.

16.1 Five successive politico-economic systems in the British-American world and five versions of capitalism (1455–2010)

Proto-capitalist systems in the Western world could not have emerged and could not have undergone their early development without the protective and supportive framework in the fifteenth and sixteenth centuries of the city-states of Venice and Genoa. Proto-capitalist systems could also not have developed into fully-fledged versions of capitalism without the protective and supportive framework of nation-states such as Holland, Britain, France, Germany and the USA from the seventeenth to the twenty-first centuries.

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