

HEGEMONY UNRAVELING–II¹

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Far from laying the foundations of a new American century, the US occupation of Iraq has jeopardized the credibility of US military might; it has further undermined the centrality of the United States and the US dollar in the global political economy; and it has strengthened the tendency towards the emergence of China as an alternative to US leadership in the East Asian region and beyond. It would have been hard to imagine a more rapid and complete failure of the neo-conservative imperial project. In all likelihood, the neo-conservative bid for global supremacy will go down in history as one of the several “bubbles” that punctuated the terminal crisis of US hegemony.

And yet, the bursting of this peculiar bubble has transformed but by no means done away with the world-historical circumstances that generated the *Project for a New American Century*. In this second part of the essay, I will highlight these circumstances by using David Harvey’s concepts of spatial fix and accumulation by dispossession in a longer perspective than he does. From this perspective, the new imperialism will appear as the outcome of a long historical process consisting of spatial fixes of increasing scale and scope on the one side, and of a US attempt to bring this process to an end through the formation of a US-centered world government on the other. This attempt, I will argue, was integral to US hegemony from the start. Under Bush the son, however, it reached its limits and in all likelihood will cease to be the primary determinant of ongoing transformations of the global political economy.

A. *Overaccumulation and Financialization*

As Harvey notes, there is an interesting correspondence between Arendt’s theoretical observation that “a never-ending accumulation of power [is] necessary for the protection of a never-ending accumulation of capital,” and my own empirical observation that the expansion of world capitalism has been based on the emergence of ever more powerful leading capitalist organizations.² The correspondence, however, is not as “exact” as Harvey suggests. For Arendt’s observation refers to the accumulation of power and capital *within states*, whereas my observation refers to the accumulation of power and capital in an evolving *system of states*. The difference is crucial in more than one respect.

Arendt’s observation draws our attention to the process whereby individual capitalist states tend to experience an accumulation of “superfluous money” (that is, of more capital than can be profitably reinvested within their national boundaries) and a need to grow more powerful in order to be able to protect growing property. From this perspective, imperialism of the capitalist sort is a policy aimed both at finding profitable external outlets for surplus capital and at making the state more powerful. My observation, in contrast, draws our attention to the process whereby increasingly powerful capitalist organizations have become the agency of the

¹ This is the second part of an essay to be published in *New Left Review* II/32 March-April 2005 and II/33 May-June 2005. In my presentation at the NYU conference I will draw freely from both parts but especially from this second part.

² Harvey (2003: 34-35)

expansion of a system of accumulation and rule that from the start encompassed a multiplicity of states. From this perspective, imperialism of the capitalist sort is an aspect of the recurrent struggles through which capitalist states have used coercive means in the attempt to turn in their favor the spatial shifts entailed in the “endless” accumulation of capital and power.

As Harvey underscores, finance capital backed by state power plays a crucial mediating role both in the production of space that is involved in the enlarged reproduction of capital and in the “cannibalistic practices and forced devaluations” that constitute the essence of accumulation by dispossession. He is nonetheless vague on the world-historical coordinates of this crucial mediating role. Like Arendt, he seems to adhere to the view that finance capital has been an outgrowth of nineteenth century industrial capitalism. While this may be true of capitalist development in some states, it is certainly not true of capitalist development on a world scale.

As Fernand Braudel has demonstrated, “finance capitalism,” or what we now call financialization, “was no newborn child of the 1900’s.” Rather, “in the past—in say Genoa or Amsterdam—following a wave of growth in commercial capitalism and the accumulation of capital on a scale beyond the normal channels for investment, finance capitalism was already in a position to take over and dominate, for a while at least, all the activities of the business world.”³ This claim has a double significance for our present purposes. First, it suggests that, world-historically, financialization (the capacity of finance capital “to take over and dominate, for a while at least, all the activities of the business world”) has been the result of a recurrent overaccumulation of capital (“the accumulation of capital on a scale beyond the normal channels for investment”). And second, it points out that this recurrent tendency towards the overaccumulation and financialization of capital has been in evidence long before capitalism became associated with industrialism.

Braudel also provides a list of dates, places, and agencies that enables us to ground in world-historical space and time Harvey’s theoretical considerations concerning finance capital. Thus, in discussing the withdrawal of the Dutch from commerce around 1740 to become “the bankers of Europe,” Braudel suggests that this withdrawal is a recurrent world-systemic tendency. The same tendency had already been in evidence in fifteenth-century Italy, and again around 1560, when the leading groups of the Genoese business diaspora gradually withdrew from commerce to exercise for about seventy years a rule over European finances comparable to that exercised in the twentieth century by the Bank of International Settlement at Basle—“a rule that was so discreet and sophisticated that historians for a long time failed to notice it.” After the Dutch, the British replicated the tendency during and after the Great Depression of 1873-96, when “the fantastic venture of the industrial revolution” created an overabundance of money capital. After the equally “fantastic venture” of so-called Fordism-Keynesianism, we may add, US capital since the 1970s has followed a similar trajectory. “[Every] capitalist development of this order seems, by reaching the stage of financial expansion, to have in some sense announced its maturity: it [is] *a sign of autumn*”.⁴

In the light of these observations, Marx’s general formula of capital (MCM’) may be reinterpreted as depicting, not just the logic of individual capitalist investments, but also a

³ Braudel (1984: 604).

⁴ Braudel (1984: 157, 164, 242-3, 246). Emphasis added.

recurrent pattern of world capitalism. The central aspect of this pattern is the alternation of epochs of material expansion (that is, MC phases of capital accumulation) with phases of financial expansion (that is, CM' phases). In phases of material expansion money capital (M) sets in motion an increasing mass of commodities (C), including commoditized labor power and gifts of nature; and in phases of financial expansion an expanded mass of money capital (M') sets itself free from its commodity form and accumulation proceeds through financial deals (as in Marx's abridged formula MM'). Taken together, the two epochs or phases constitute what I have called a *systemic cycle of accumulation* (MCM').⁵

Starting from these premises, I have identified four such cycles, each encompassing a “long” century: a Genoese-Iberian cycle, stretching from the fifteenth through the early seventeenth centuries; a Dutch cycle, stretching from the late sixteenth through the late eighteenth centuries; a British cycle, stretching from the mid eighteenth through the early twentieth centuries; and a US cycle, stretching from the late nineteenth through the current phase of financial expansion. Each cycle is named after (and defined by) the particular complex of governmental and business agencies that led the world capitalist system, first towards the material and then towards the financial expansions that jointly constitute the cycle. Consecutive systemic cycles of accumulation overlap with one another at their beginnings and ends, because phases of financial expansion have not just been the “autumn” of major developments of world capitalism. They have also been periods in the course of which a new leading governmental-business complex emerged and over time reorganized the system making its further expansion possible.⁶

Material and financial expansions are both processes of a system of accumulation and rule that has increased in scale and scope over the centuries but has encompassed from its earliest beginnings a large number and variety of governmental and business agencies. Within each cycle, material expansions occur because of the emergence of a particular bloc of governmental and business agencies capable of leading the system towards a new spatial fix that creates the conditions for the emergence of wider or deeper divisions of labor. Under these conditions, returns to capital invested in trade and production increase; profits tend to be plowed back into the further expansion of trade and production more or less routinely; and knowingly or unknowingly, the system's main centers cooperate in sustaining one another's expansion. Over time, however, the investment of an ever-growing mass of profits in the further expansion of trade and production inevitably leads to the accumulation of capital over and above what can be reinvested in the purchase and sale of commodities without drastically reducing profit margins. At this point, capitalist agencies tend to invade one another's spheres of operation; the division of labor that previously defined the terms of their mutual cooperation breaks down; and competition becomes increasingly vicious. The prospects of recouping the capital invested in trade and production decrease, and capitalist agencies tend to keep in liquid form a larger proportion of their incoming cash flows. The stage is thus set for the change of phase from

⁵ Arrighi (1994: 4-6).

⁶ On the historical and theoretical underpinnings of systemic cycles of accumulation, see Arrighi (1994). For a detailed analysis of the transitions from Dutch to British and from British to US hegemony, see Arrighi and Silver (1999).

material to financial expansion.

In all financial expansions of systemic significance, the accumulation of surplus capital in liquid form had three main effects. First, it transformed surplus capital embodied in landscapes, infrastructures, and means of trade and production into an expanding supply of money and credit. Second, it deprived governments and populations of the revenues that they previously derived from the trade and production that were no longer undertaken because unprofitable or too risky. Finally, and largely as a corollary of the first two effects, it created highly profitable market niches for financial intermediaries capable of channeling the expanding supply of liquidity into the hands either of governments and populations in financial straits, or of public and private entrepreneurs intent in opening up new avenues of profit-making in trade and production.

As a rule, the leading agencies of the preceding material expansion were best positioned to occupy these highly profitable market niches and thus lead the system of accumulation toward the financial expansion. This capacity to switch from one kind of leadership to another has been the main reason why, after experiencing the signal crisis of their hegemonies, all incumbent centers of world capitalism enjoyed a *belle époque* of temporary but nonetheless quite significant reflation of their wealth and power. The reason why all *belles époques* of historical capitalism have been temporary phenomena is that they tended to deepen rather than solve the underlying overaccumulation crisis. They thereby exacerbated economic competition, social conflicts, and interstate rivalries beyond what was in the power of incumbent centers to keep under control. Before we proceed to discuss the ever changing nature of the struggles that ensued, two observations are in order.

The first is that all financial expansions entailed accumulation by dispossession. Suffice it to mention that lending surplus capital to governments and populations in financial straits was profitable only to the extent that it redistributed assets or incomes from the borrowers to the agencies that controlled surplus capital. Massive redistributions of this kind have indeed been key ingredients of all the *belles époques* of finance capitalism—from Renaissance Florence to the Reagan and Clinton eras. In and by themselves, however, they provided no solution to the underlying overaccumulation crisis. On the contrary, by transferring purchasing power from strata and communities with a lower liquidity preference (that is, with a lesser disposition to accumulate money capital) to strata and communities with a higher liquidity preference, they tended to provoke an even greater overaccumulation of capital and the recurrence of the profitability crises. Moreover, by alienating the strata and communities that were being dispossessed, they tended to provoke a legitimacy crisis as well. A combination of profitability and legitimacy crises is, of course, the underlying condition to which Arendt and Harvey trace the imperialism of their respective times. Nevertheless, comparable conditions were in evidence also in earlier financial expansions, directly or indirectly exacerbating conflicts within and among states.⁷

At least initially, the escalation of interstate conflicts benefitted incumbent centers, because it inflated the states' financial needs and thereby intensified their mutual competition for mobile capital—a competition that Max Weber called "the world-historical distinctiveness of

⁷ Arrighi (1994); Arrighi and Silver (1999: especially chapter 3)

[the modern] era".⁸ But once the conflicts escalated into major wars, the incumbent centers generally lost out even in the financial sphere to newly emergent centers that were better positioned to provide the “endless” accumulation of capital and power with a spatial fix of greater scale and scope than the previous one.

This brings us to the second observation, which concerns the transfer of surplus capital from incumbent to emerging centers of capitalist development. As previously noted, the role that Marx attributed to the credit system in promoting such a reallocation points to an invisible inter-capitalist cooperation that *reduces* the need of accumulation by dispossession in the emerging centers. We also noted that Marx’s sequence of leading capitalist centers (Venice, Holland, England, United States) points to a series of spatial fixes of increasing scale and scope that created the conditions for the resolution of the preceding overaccumulation crisis and the take-off of a new phase of material expansion. To this we should now add that wars once again played a crucial role. In at least two instances (from Holland to Britain and from Britain to the United States), the reallocation of surplus capital from mature to emerging centers began long before the escalation of interstate conflicts. This early reallocation of surplus capital, however, established claims on the assets and future incomes of the emerging centers that brought back to the mature centers flows of interest, profits and rents that equaled or even surpassed the original investment of surplus capital. Instead of weakening, it therefore strengthened the position of the incumbent centers in the world of high finance. But once wars escalated, the creditor-debtor relation that linked the mature to the emerging centers was forcibly reversed and the reallocation to the emerging centers became both more substantial and permanent. The mechanisms of the reversal varied considerably from transition to transition. But in all transitions, wars were essential ingredients in the change of guard at the commanding heights of world capitalism.⁹

B. Lineages of the New Imperialism

Contrary to the reading of some critics, my concept of systemic cycles of accumulation does not portray the history of capitalism as “the eternal return of the same.”¹⁰ It shows instead that precisely when the “same” (in the form of recurrent system-wide financial expansions) appears to return, new rounds of intercapitalist competition, interstate rivalries, accumulation by dispossession, and production of space on an ever increasing scale, *revolutionized* the geography and mode of operation of world capitalism, as well as its relationship to imperialistic practices.

⁸ Weber (1978: 354). See also Weber (1961: 249).

⁹ In the Dutch-British reversal, the key mechanism was the plunder of India during and after the Seven Years’ War, which enabled Britain to buy back the national debt from the Dutch and thus start the Napoleonic Wars nearly free from foreign debt. See Davis (1979: 55-56); Cain and Hopkins (1980: 471) and Arrighi (1994: 208-212). In the British-US reversal, the key mechanism was US wartime supply of armaments, machinery, food, and raw materials far in excess of what Britain could pay out of current incomes. See Eichengreen and Portes (1986: 601-3); Kennedy (1987: 268); Arrighi and Silver (1999: 73-77). The peculiarities of the ongoing US-East Asian reversal have already been hinted at in Part II and will be explored further in the concluding section of Part III.

¹⁰ Hardt and Negri (2000: 239)

Thus, if we focus on the "containers of power"¹¹ that have housed the "headquarters" of the leading capitalist agencies of the successive cycles of accumulation, we immediately note a progression from city-states and a cosmopolitan business diaspora (the Genoese); to a proto-national state (the United Provinces) and its joint-stock chartered companies; to a multinational state (the United Kingdom) and its globe-encircling tributary empire; to a continent-sized national state (the United States) and its world-encompassing system of transnational corporations, military bases, and institutions of world governance.¹²

As the progression shows, none of the agencies that have promoted the formation and expansion of world capitalism correspond to the mythical national state of political and social theory: Genoa, and the United Provinces were something less, and the United Kingdom and the United States were something more than national states. But whether they were more or less than national states, from the very beginning the networks of accumulation and power that enabled these agencies to play a leading role in the formation and expansion of world capitalism were not "contained" within the metropolitan territories that defined the proto-national, multinational, or national identity of the leading agencies of capitalist expansion. Indeed, long-distance trade, high finance, and related imperialistic practices (that is, war-making and empire-building activities) were even more essential sources of profit for the early than for the later agencies. As Arendt maintains, imperialism must indeed be considered "the first stage in the political rule of the bourgeoisie rather than the last stage of capitalism."¹³ But that first stage must be situated in early-modern city-states rather than in late-nineteenth century national states, as she suggests.

The fact that imperialistic practices were a more critical source of profit in the early than in the later stages of capitalist expansion does not mean that the policies and actions of the later agencies have been less imperialistic than those of the earlier agencies. On the contrary, they have become more rather than less so, because of an increasing interpenetration of the capitalist and territorialist strategies of power. This tendency is clearly observable by comparing the historical geography of successive systemic cycles of accumulation.

Even before the first cycle began to materialize, some Italian city-states, most notably Venice, had demonstrated the viability in the early-modern European context of a capitalist strategy of power. Rulers pursuing territorialist strategies sought to accumulate power by expanding the size of their territorial domains. The bourgeoisies that controlled the Italian city-states, in contrast, sought to accumulate power by expanding their command over money capital, while abstaining from territorial acquisitions unless they were absolutely essential to the accumulation of capital.¹⁴ The success of this strategy in the European context rested on the interaction of two conditions. One was the balance of power among the larger territorial

¹¹ Anthony Giddens (1987) introduced this expression to characterize states, especially national states. As the reader will notice, the expression is used here to designate a broader set of organizations.

¹² For detailed accounts of this progression, see Arrighi (1994); Arrighi and Silver (1999: chapter 1); Arrighi and Silver (2001).

¹³ Arendt (1966: 138).

¹⁴ Arrighi (1994: 33-34).

organizations of the European subcontinent. And the other was the extroversion of the emerging European system of states—the fact, that is, that the successful pursuit of profit and power *within* Europe depended critically on privileged access to resources *outside* Europe through trade or plunder. The balance of power ensured not just the political survival of the territorially parsimonious capitalist organizations. It ensured also that the competition among the larger territorial organizations for financial resources would empower the capitalist organizations that controlled those resources. At the same time, the extroversion of the European power struggle ensured that this competition would be continually renewed by the need of the states to outdo one another in gaining privileged access to extra-European resources.

Initially, the combination of these two conditions was extremely favorable to the capitalist strategy of power. Indeed, it was so favorable that its most successful agency was an almost entirely de-territorialized organization. For the Genoese-Iberian designation of the first systemic cycle of accumulation does not refer to the Republic of Genoa as such—a city-state which throughout the cycle led a politically precarious existence and “contained” very little power. The designation refers instead to the transcontinental commercial and financial networks that enabled the Genoese capitalist class, organized in a cosmopolitan diaspora, to deal on a par with the most powerful rulers of Europe and to turn these rulers’ mutual competition for capital into a powerful engine for the self-expansion of its own capital. From this position of strength, the Genoese capitalist diaspora entered into a highly profitable relationship of informal political exchange with the rulers of Portugal and Imperial Spain. By virtue of this relationship, Iberian rulers undertook all the war- and state-making activities involved in the formation of a world-encircling market and empire, while the Genoese capitalist diaspora specialized in facilitating commercially and financially these activities. Unlike the Fuggers, who were ruined by their connection with Imperial Spain, the Genoese probably gained from the relationship more than their Iberian partners did. As Richard Ehrenberg noted, “it was not the Potosi, silver mines, but the Genoese fairs of exchange which made it possible for Philip II to conduct his world power policy decade after decade.” But in the process, as Suarez de Figueroa lamented in 1617, Spain and Portugal were turned into “the Indies of the Genoese.”¹⁵

In the second (Dutch) systemic cycle of accumulation, the conditions for the pursuit of a strictly capitalist strategy of power remained favorable, but not as favorable as they had been in the first cycle. To be sure, the intense conflicts that set the larger territorial states of Europe against one another were essential to the Dutch ascent, and in 1648 the Peace of Westphalia provided the European balance of power with some institutional stability. Moreover, in the seventeenth century the Dutch could expand the spatial scale of their operations from the Baltic to the Atlantic and the Indian Ocean as easily and swiftly as they did, only because the Iberians had already conquered the Americas and established a direct sea route to the East Indies. Nevertheless, the geopolitical landscape created in Europe by the Iberian world-encircling spatial fix left no room for the kind of capitalist strategy of power that had made the fortunes of the Genoese diaspora in the “long” sixteenth century. Indeed, the Dutch succeeded in carving out of the Iberian sea-borne and territorial empires the Amsterdam-centered system of commercial entrepôts and joint-stock chartered companies that became the foundation of the second systemic

¹⁵ Ehrenberg is quoted in Kriedte (1983: 47) and de Figueroa in Elliott (1970b: 96). For details on the Genoese-Iberian cycle, see Arrighi (1994: 109-32, 145-51).

cycle of accumulation, precisely by doing what the Genoese had not been doing, that is, by becoming self-sufficient in war- and state-making.¹⁶

Violet Barbour has claimed that the Amsterdam-centered system of commercial entrepôts and joint-stock chartered companies was the last instance of "a veritable empire of trade and credit... held by a city in her own right, unsustainable by the forces of a modern state."¹⁷ Since the United Provinces combined features of the disappearing city-states with features of the rising national states, whether it qualifies as a "modern state" is a controversial issue. But whichever features one may want to emphasize, the Dutch cycle does appear to have been the watershed between two distinct ages of historical capitalism: the age of the city on the one side, and that of the territorial state and the national economy on the other.

At the heart of a Europe swollen with success and tending, by the end of the eighteenth century, to embrace the whole world, *the dominant central zone had to grow in size to balance the entire structure*. Cities standing alone, or almost alone, by now lacked sufficient purchase on the neighboring economies from which they drew strength; soon they would no longer measure up to the task. The territorial states would take over.¹⁸

We shall deal later with the issue of why "the dominant central zone had to grow in size to balance the entire structure." For now let us note that the emergence of territorial states as the leading agencies of capitalist expansion brought about a far greater interpenetration of capitalism and imperialism than had hitherto been the case. Although the fortunes of the Genoese capitalist diaspora had been thoroughly dependent on the war-making and empire-building activities of its Iberian partners, the diaspora itself abstained completely from such activities. Genoese capitalism and Iberian imperialism sustained one another but through a relationship of political exchange that reproduced their separate organizational identities from beginning to end. Although no such separation existed in the Dutch cycle, the eighty-year long struggle for independence that the United Provinces waged against Imperial Spain endowed Dutch capitalism with a long-lasting anti-imperialist identity. Even after that struggle had come to an end, Peter de la Court could portray Holland as a "cat" in a jungle of "wild beasts." The wild beasts were the territorial states of Europe: "Lions, Tygers, Wolves, Foxes, Bears, or any other Beast of Prey, which often perish by their own Strength, and are taken where they lie in wait for others." A cat does resemble a lion. But Holland was and would remain a cat because "we who are naturally Merchants, cannot be turned into Souldiers" and "there is more to be gotten by us in a time of Peace and good Trading, than by War, and the ruin of Trade."¹⁹

In reality, the Dutch system of accumulation, which would indeed have benefitted more from peace than from war after Westphalia, had been built through war and the ruin of Iberian trade before Westphalia. Moreover, in the non-European world, especially in the Indonesian archipelago, the "cat of Holland" was second to none of the European "beasts of prey" in the use

¹⁶ Arrighi (1994: 36-47, 127-51), Arrighi and Silver (1999: 39-41; 99-109).

¹⁷ Barbour (1950: 13).

¹⁸ Braudel (1984: 175). Emphasis added.

¹⁹ Quoted in Taylor (1994: 36, 38).

of violence to destroy existing landscapes of trade and production in order to create landscapes more favorable to the “endless” accumulation of Dutch capital. De la Court’s metaphor does nonetheless draw a distinction between the imperialism of the larger territorial states of Europe and the capitalism of the territorially parsimonious Dutch Republic that remained discernible throughout the Dutch cycle. For the strategy of power of the Dutch Republic was primarily based, not on the expansion of its territorial domains, but on the expansion of its control over money capital and the international credit system. Combining the strengths of the Venetian and Genoese strategies, it relied on money and credit as the key means by which the struggles among the territorial states of Europe were turned into an engine of the self-expansion of Dutch capital. Over time, however, the escalation of these struggles, undermined the conditions of the success of the Dutch strategy and simultaneously created the conditions of a complete fusion of capitalism and imperialism in the practices of the state that eventually emerged as the new leader of capitalist expansion.²⁰

In order to gain some insight into the reasons for this fusion we must return to Braudel’s contention that the territorial scale of the dominant center of the system of accumulation had somehow to grow in step with the increase in the spatial scale of the system. Braudel himself suggests that one of the main reasons why the small territorial scale of Holland became a handicap in holding the center of the globalizing European system of accumulation was a structural shortage of labor. “Holland,” he claims, “could only fulfil her role as freighter of the high seas if she could obtain the necessary extra labor from among the wretched of Europe.” It was the poverty the rest of Europe that “enabled the Dutch to ‘set up’ their Republic.”²¹ But once an increasing number of European states sought to internalize within their own domains the sources of Dutch wealth and power through one variant or another of mercantilism and imperialism, competition over European labor resources intensified and the small territorial size of the Dutch Republic turned into an increasingly insurmountable handicap. As Stavorinus deplored,

ever since the year 1740, the many naval wars, the great increase of trade and navigation, particularly in many countries, where formerly these pursuits were little attended to, and the consequent great and continual demands for able seamen, both for ships of war and for merchantmen, have so considerably diminished the supply of them, that, in our own country, where there formerly used to be a great abundance of mariners, it is now, with great difficulty and expense, that any vessel can procure a proper number of able hands to navigate her.²²

Nor could the Dutch compete with territorial states in settling colonies, simply because too few Dutchmen were available for the purpose. As a result, in North America most of the colonial population, and nearly all of the well-to-do merchant, planter and professional classes were of British origin, accustomed to manufactures from British sources and sales through British factors. English ports thus began to challenge and then to outshine Amsterdam’s entrepot

²⁰ Arrighi (1994: 144-158), Arrighi and Silver (1999: 48-51).

²¹ Braudel (1984: 192-3).

²² Quoted in Boxer (1965: 109)

trade. Moreover, while Dutch industries languished, English industries expanded rapidly under the joint impact of Atlantic trade and increasing governmental protection.²³ British success in outcompeting the Dutch in overseas commercial expansion and domestic industrial expansion gradually reduced Amsterdam's share of entrepot trade. But the death blow to Dutch commercial supremacy came from the spread of mercantilism to the Baltic region and the consequent disruption of what had all along been the “mother trade” of Dutch capitalism.²⁴

It was in this context that the United Kingdom emerged as the new leader of the “endless” accumulation of capital and power through a complete fusion of capitalism and imperialism. Once London displaced Amsterdam as the financial center of the globalizing European system of states, as it did by the 1780s, the United Kingdom became the main beneficiary of interstate competition for mobile capital. In this respect, it became the heir of the capitalist tradition initiated by the Genoese in the “long” sixteenth century and developed further by the Dutch in the “long” seventeenth century. In other respects, however, the United Kingdom was also the heir of the imperialist tradition initiated by the Iberian partners of the Genoese—a tradition which the “anti-imperialism” of the Dutch and the stabilization of the European balance of power at Westphalia had reversed only temporarily and partially.²⁵

This peculiar fusion of capitalism and imperialism provided the “endless” accumulation of capital and power with a spatial and organizational fix that differed from that of the Dutch cycle in key respects. Geopolitically, the system of states established at Westphalia under Dutch leadership was a truly anarchic system—a system, that is, characterized by the absence of central rule. The interstate system reconstituted after the Napoleonic Wars under British leadership, in contrast, was a system in which the European balance of power was transformed, for a while at least, into an instrument of informal British rule. Having gained mastery over the balance of power during the wars, the British took a number of steps to ensure that it would remain in their hands. While reassuring the absolutist governments of Continental Europe organized in the Holy Alliance that changes in the balance of power would come about only through consultation in the newly established Concert of Europe, they created two counterweights to their power. In Europe, they requested and obtained that defeated France be included among the Great Powers, albeit held in check by being ranked with second tier powers. In the Americas, they countered the Holy Alliance's designs to restore colonial rule by asserting the principle of non-intervention in Latin America and by inviting the United States to support the principle. What later became the

²³ Boxer (1965: 109); Davis (1966: 307; 1969: 115); Minchinton (1969: 13).

²⁴ “The basic reason for the decisive decline of the Dutch world-trading system in the 1720s and 1730s was the wave of new-style industrial mercantilism which swept practically the entire continent from around 1720.... Down to 1720 countries such as Prussia, Russia, Sweden, and Denmark-Norway had lacked the means and, with the Great Northern War in progress, the opportunity, to emulate the aggressive mercantilism of England and France. But in the years around 1720 a heightened sense of competition among the northern powers, combined with the diffusion of new technology and skills, often Dutch or Huguenot in origin, led to a dramatic change. Within the next two decades most of northern Europe was incorporated into a framework of systematic industrial mercantilist policy.” Israel (1989: 383-4)

²⁵ Cf Arrighi (1994: 47-58; 159-169).

Monroe Doctrine—the idea that Europe should not intervene in American affairs—was initially a British policy.²⁶

By pursuing its national interest in the preservation and consolidation of a fragmented and "balanced" power structure in Continental Europe, Britain fostered the perception that its overwhelming world power was being exercised in the general interest—the interest of former enemies as well as of former allies, of the new republics of the Americas as well as of the old monarchies of Europe. This perception was consolidated by Britain's *unilateral* liberalization of its trade, which culminated in the repeal of the Corn Laws in 1848 and of the Navigation Acts in 1849. Over the following twenty years, close to one third of the exports of the rest of the world went to Britain—the United States, with almost 25 percent of all imports and exports, being Britain's single largest trading partner, and European countries accounting for another 25 percent. Through this policy, Britain cheapened the domestic costs of vital supplies and at the same time provided the means of payment for other countries to buy its manufactures. It also drew much of the Western world into its trading orbit, fostering interstate cooperation and securing low protection costs for its overseas trade and territorial empire.²⁷

Also in this respect, the UK-centered system of accumulation differed radically from its Dutch predecessor. In both systems, the metropolitan territories of the leading capitalist state (Amsterdam/Holland in the "long" seventeenth century, London/England in the "long" nineteenth century) played the role of central entrepot. But soon after the Dutch system had become predominant, it began to be challenged by the aggressive mercantilism of both Britain and France. The British system, in contrast, could consolidate further through the longest peace in European history—Polanyi's Hundred Years Peace (1815-1914). British mastery of the European balance of power and centrality in world trade were mutually reinforcing conditions of this long peace. The one reduced the chances that any state would have the capabilities to challenge British commercial supremacy in the same way the British had challenged Dutch supremacy after Westphalia. The other "caged" a growing number of territorial states in a global division of labor that strengthened each one's interest in preserving the UK-centered system. And the more general this interest became, the easier it was for Britain to manipulate the balance of power to prevent the emergence of challenges to its commercial supremacy.

This combination of circumstances depended critically on a third difference between the British and Dutch systems. Whereas the Dutch entrepot was primarily a commercial entrepot, the British entrepot was also an industrial entrepot, the "workshop of the world." England had long been one of the main industrial centers of Europe. But it was only in the course of the eighteenth century that the expansion of England's entrepot trade and massive governmental expenditure during the Napoleonic Wars turned British industrial capabilities into an effective instrument of national aggrandizement.²⁸ The Napoleonic Wars, in particular, constituted a decisive turning point. In McNeill's words,

government demand created a precocious iron industry, with a capacity in excess of

²⁶ Cf Polanyi (1957: 5-7, 259-62); Weigall (1987: 58, 111); Kissinger (1964: 38-9); Aguilar (1968: 23-5).

²⁷ Barrat Brown (1963: 63); Kennedy (1976: 156-64, 149-50); Nye (1990: 53).

²⁸ Arrighi (1994: ch. 3).

peacetime needs, as the post-war depression 1816-20 showed. But it also created the condition for future growth by giving British ironmasters extraordinary incentives for finding new uses for the cheaper product their new, large-scale furnaces were able to turn out. Military demands on the British economy thus went far to shape the subsequent phases of the industrial revolution, allowing the improvement of steam engines and making such critical innovations as the iron railway and iron ship possible at a time and under conditions which simply would not have existed without the wartime impetus to iron production.²⁹

In the course of the nineteenth century, railways and steamships forged the globe into a single interacting economy as never before. In 1848, there was nothing resembling a railway network outside Britain. Over the next thirty years or so, notes Eric Hobsbawm, "the most remote parts of the world [began] to be linked together by means of communication which had no precedent for regularity, for the capacity to transport vast quantities of goods and numbers of people, and above all, for speed." With this system of transport and communication being put in place, world trade expanded at unprecedented rates. From the mid 1840s to the mid 1870s, the volume of seaborne merchandise between the major European states more than quadrupled, while the value of the exchanges between Britain and the Ottoman Empire, Latin America, India and Australasia increased about sixfold. Eventually, this expansion of world trade intensified interstate competition and rivalries. But in the middle decades of the century the advantages of hooking up to the British entrepot so as to draw upon its equipment and resources were too great to be willingly foregone by any European state.³⁰

Unlike the seventeenth-century Dutch world-trading system, which was and remained a purely mercantile system, the nineteenth-century British world-trading system thus became also an integrated system of mechanized transport and production. Britain was both the chief organizer and the chief beneficiary of this system, within which it performed the double function of central clearing house and regulator. While the function of central clearing house was inseparable from Britain's role as the workshop of the world, the function of central regulator was inseparable from its role as the leading empire-builder in the non-European world. To return to de la Court's metaphor, unlike Holland, which was and remained a "cat," Britain was and remained a territorial "beast of prey" whose conversion to capitalism only whetted its appetite for territorial expansion. As previously noted, the plunder of India enabled Britain to buy back the national debt from the Dutch and to start the Napoleonic Wars nearly free from foreign debt. It thereby facilitated the six-fold increase in British public expenditure in 1792-1815 to which McNeill attributes a decisive role in shaping the capital-goods phase of the industrial revolution. More important, it initiated the process of conquest of a territorial empire in South Asia that became the principal pillar of Britain's global power.

The unfolding of this process of territorial conquest has been detailed elsewhere.³¹ Here, I shall simply mention the two main aspects of its relationship to the enlarged reproduction of

²⁹ McNeill (1982: 211-12).

³⁰ Hobsbawm (1979: 37-9, 50-4).

³¹ Arrighi and Silver (1999: 106-114; 223-46).

British power, one demographic and one financial. India's huge demographic resources buttressed British world power both commercially and militarily. Commercially, Indian workers were forcibly transformed from major competitors of European textile industries into major producers of cheap food and raw materials for Europe. Militarily, Indian manpower was organized in a European-style colonial army, funded entirely by the Indian taxpayer, and used throughout the nineteenth century in the endless series of wars through which Britain opened up Asia and Africa to Western trade and investment. As for the financial aspect, the devaluation of the Indian currency, the imposition of the infamous Home Charges—through which India was made to pay for the privilege of being pillaged and exploited by Britain—and the Bank of England's control over India's foreign exchange reserves, jointly turned India into the "pivot" of Britain's world financial and commercial supremacy.³²

Under British leadership, the “endless” accumulation of capital and power thus came to be embedded in a spatial fix of greater scale and scope than in the Genoese-Iberian and Dutch cycles. But for that very reason it eventually resulted in a far more massive overaccumulation of capital. As in the earlier cycles, the incumbent center was initially best positioned to take advantage of the intensification of competition that signaled the change of phase from material to financial expansion. The ensuing Edwardian *belle époque*, however, was but a preamble to an escalation of interstate conflicts that once again revolutionized the historical geography of world capitalism. The analogous “revolution” of the late eighteenth and early nineteenth centuries had eliminated from the struggle for capitalist leadership proto-national states like the United Provinces. In the “revolution” of the first half of the twentieth century, it was the turn of the national states themselves to be squeezed out of the struggle unless they controlled integrated agricultural-industrial-military complexes of continental scale.

"Britain's new insecurity and growing militarism and Jingoism [towards the end of the nineteenth century]," notes Andrew Gamble, "arose because the world seemed suddenly filled with industrial powers, whose metropolitan bases in terms of resources and manpower and industrial production were potentially much more powerful than Britain's."³³ The rapid industrialization of unified Germany after 1870 was particularly upsetting for the British, because it created the conditions for the rise of a land power in Europe capable of aspiring to continental supremacy and of challenging Britain's maritime supremacy. During the First World War, Britain and its allies succeeded in containing Germany, and Britain even increased the reach of its overseas territorial empire. But the financial costs of these military-political successes destroyed Britain's capacity to hold the center of world capitalism.

During the war Britain did continue to function as the banker and loan-raiser on the world's credit markets, not just for itself, but also by guaranteeing loans to Russia, Italy and France. This looked like a repetition of Britain's eighteenth-century role as "banker of the coalition." There was nonetheless one critical difference: the huge trade deficit with the United States, which was supplying billions of dollars' worth of munitions and foodstuffs to the Allies but required few goods in return. "Neither the transfer of gold nor the sale of Britain's enormous

³² On these and other aspects of tribute extraction from India, see Barrat Brown (1974: 133-6); Tomlinson (1975); de Cecco (1984, 62-3); Washbrook (1990: 481); Bagchi (2002).

³³ Gamble (1985: 58)

dollar securities could close this gap; only borrowing on the New York and Chicago money markets, to pay the American munitions suppliers in dollars, would do the trick."³⁴ When Britain's credit approached exhaustion, the US threw its economic and military weight in the struggle, tilting the balance to its debtors' advantage. Mastery over the European balance of power had shifted decisively from British to US hands. The insularity that the English Channel no longer provided, the Atlantic still did. More important, as innovations in means of transport and communications continued to overcome spatial barriers, America's remoteness became less of a disadvantage commercially and militarily. "Indeed, as the Pacific began to emerge as a rival economic zone to the Atlantic, the USA's position became central—a continent-sized island with unlimited access to both of the world's major oceans."³⁵

This "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 United States had "internalized" imperialism from the very beginning of its history.³⁶ But it was the transport revolution and industrialization of war of the second half of the nineteenth century that turned the continent-sized US "island" into a powerful agricultural-industrial-military complex with decisive competitive and strategic advantages vis-a-vis European states. To be sure, Britain's world-encompassing territorial empire contained even greater resources than the United States. Nevertheless, the global dispersion and weak mutual integration of Britain's colonial domains—as opposed to the regional concentration and strong mutual integration, both political and economic, of the territorial domains of the United States—was a crucial difference in the spatial configuration of the leading capitalist states of the "long" nineteenth and twentieth centuries respectively. As noted earlier, Britain's far-flung territorial empire was an essential ingredient in the formation and consolidation of the UK-centered system of accumulation. But as soon as interstate competition for "living space" intensified under the impact of the transport revolution and the industrialization of war, the protection costs of Britain's metropolitan and overseas domains began to escalate, and Britain's world-encompassing empire turned from an asset into a liability. At the same time, the overcoming of spatial barriers brought about by these same two phenomena turned the continental size, compactness, insularity, and direct access to the world's two major oceans of the United States into decisive strategic advantages in the escalating interstate power struggle.³⁷

Unsurprisingly, the struggle ended with the arrival of the bipolar world so often forecast in the nineteenth and early twentieth centuries: "the international order... now moved 'from one system to another.' Only the United States and the USSR counted... and of the two, the

³⁴ Kennedy (1987: 268).

³⁵ Goldstein and Rapkin (1991: 946).

³⁶ "American historians who speak complacently of the absence of the settler-type colonialism characteristic of the European powers merely conceal the fact that the whole *internal* history of United States imperialism was one vast process of territorial seizure and occupation. The absence of territorialism 'abroad' was founded on an unprecedented territorialism 'at home'." Stedman Jones (1972: 216-17). Emphasis in the original. See also Agnew (1987).

³⁷ Arrighi and Silver (1999: 66-84)

American 'superpower' was vastly superior."³⁸ As Thomas McCormick has underscored, US leaders fought the Second World War "not simply to vanquish their enemies, but to create the geopolitical basis for a postwar world order that they would both build and lead." In the pursuit of this ambitious end, awareness of British precedents during the Napoleonic Wars helped. In particular,

Britain entered the main European theater only when the war had reached its final and decisive stage. Its direct military presence acted to inhibit any other continental power from attempting to take France's place in the continental power structure and reinforced the legitimacy of Britain's claim to a dominant say in peace negotiations. In parallel fashion, the United States entered the European theater only in the last and determinant phase of World War II. Operation Overlord, its invasion of France in June 1944, and its push eastward into Germany similarly restrained potential Russian ambitions in the west and assured America's seat at the head of the peace table.³⁹

These analogies reflect the fact that in both transitions mastery of the balance of power in the interstate system was essential to the empowerment of the rising hegemonic state. But the spatial and organizational fix of the "endless" accumulation of capital and power that came into being under US hegemony could not be the same as the British. On the contrary, it had to reflect the new historical geography of capitalism that had emerged from the irrevocable destruction of the nineteenth century British spatial fix. By way of conclusion, I shall now highlight the nature and contradictions of the US spatial fix and seek answers to the question raised at the beginning of the essay of why "scaring hell out of the American people" worked wonders in establishing US hegemony under Truman but is now bringing that hegemony to an end.

C. The World State That Never Was

In a book first published in 1948, Ludwig Dehio argued that each round of the European power struggle had created the conditions of a geographical expansion of the European-centered system of sovereign states, of a "migration" of the locus of power further west and east, and of an irreversible mutation in the structure of the expanding system. Indeed, Dehio presented his study of the mechanisms that had reproduced the European balance of power over the preceding five centuries as dealing "with a structure that has ceased to exist... in a manner of speaking, [as] the result of an autopsy."

The balance of power in the Occident was preserved only because new counterweights from territories beyond its frontiers could again and again be thrown into the scale against forces seeking supremacy.... In World War II, the forces that had left Europe in successive emigrations... turned back toward the region from which they had come.... The old pluralistic system of small states was completely overshadowed by the giant young powers which it had summoned to its aid.... Thus the old framework that had encompassed the European scene... is breaking up. The narrower stage is losing its overriding importance as a setting for a strong cast of its own, and is being absorbed into

³⁸ Kennedy (1987: 357).

³⁹ McCormick (1989: 33-5)

the broader proscenium. On both stages the two world giants are taking over the protagonists' role.... A divided system of states reverts again and again to a condition of flux. But the old European tendency toward division is now being thrust aside by the new global trend toward unification. And the onrush of this trend may not come to rest until it has asserted itself throughout our planet.⁴⁰

Half a century after this was written, the collapse of one of the two "world giants" (the USSR), and the further centralization of global military capabilities in US hands, made these remarks sound prophetic. But well before Dehio presented his autopsy of "the old European tendency toward division," President Franklin D. Roosevelt had already addressed the issue of what kind of political structure might emerge out of "the new global trend toward unification." Looking back at thirty years of world wars, revolutions, counterrevolutions, and the most serious economic breakdown in capitalist history, he had become convinced that worldwide chaos could be overcome only through a fundamental reorganization of world politics. Central to his vision was the idea that security for the world had to be based on US power exercised through international institutions. "But for such a scheme to have a broad ideological appeal to the suffering peoples of the world, it had to emanate from an institution less esoteric than an international monetary system and less crude than a set of military alliances or bases."⁴¹

This institution was to be the United Nations with its appeal to the universal longing for peace on the one side, and to the longing of poor nations for independence and eventual equality with the rich nations on the other. Not without reason, Schurmann finds the political implications of this vision truly revolutionary.

For the first time in world history, there was a concrete institutionalization of the idea of world government. Whereas the League of Nations was guided by an essentially nineteenth-century spirit of a congress of nations, the United Nations was openly guided by American political ideas.... There was nothing revolutionary about the kind of world system Britain created through its empire. There was something revolutionary about the world market system that flowed out of Britain in the eighteenth century.... Britain's true imperial greatness was economic, not political. The United Nations, however, was and remains a political idea. The American Revolution had proven that nations could be constructed through the conscious and deliberate actions of men.... What Roosevelt had the audacity to conceive and implement was the extension of this process of government-building to the world as a whole.⁴²

Roosevelt's vision of world government had both social objectives and fiscal-financial implications. It was a conscious projection on a world scale of the US New Deal.

The essence of the New Deal was the notion that big government must spend liberally in order to achieve security and progress. Thus postwar security would require liberal outlays by the United States in order to overcome the chaos created by the war. Aid to...

⁴⁰ Dehio (1962: 264-6, 269).

⁴¹ Schurmann (1974: 68).

⁴² Schurmann (1974: 71)

poor nations would have the same effect as social welfare programs within the United States—it would give them the security to overcome chaos and prevent them from turning into violent revolutionaries. Meanwhile, they would be drawn inextricably into the revived world market system. By being brought into the general system, they would become responsible, just as American unions had during the war. Helping Britain and the remainder of Western Europe would rekindle economic growth, which would stimulate transatlantic trade and, thus, help the American economy in the long run. America had spent enormous sums running up huge deficits in order to sustain the war effort. The result had been astounding and unexpected economic growth. Postwar spending would produce the same effect on a worldwide scale.⁴³

And so it did, but only after Roosevelt's "one-worldism"—which included the USSR among the poor nations of the world to be incorporated into the new order for the benefit and security of all—became Truman's "free-worldism," which turned the containment of Soviet power into the main organizing principle of US hegemony. Roosevelt's revolutionary idealism—which saw in the institutionalization of the idea of world government the primary instrument through which the US New Deal would be extended to the world as a whole—was thereby displaced by the reformist realism of his successors who institutionalized US control over world money and global military power as the primary instruments of US hegemony.⁴⁴

For Roosevelt's one-world project was simply too idealistic for the tastes of the US Congress and US business. The world was too big and too chaotic a place for the United States to reorganize in its image, particularly if the reorganization had to be achieved through organs of world government within which the US government would have to compromise with the views and interests of friends and foes alike. The US Congress and the US business community were far too "rational" in their calculations of the pecuniary costs and benefits of US foreign policy to release the means necessary to carry out such an unrealistic plan. Indeed, as previously noted, had Korea not "come along" and given Truman what he needed to "scare hell out of the American people," even the US and European rearmament envisaged in NSC-68 might not have been funded. But Korea did come along and massive rearmament during and after the Korean war gave a tremendous boost to the US and world economies.

With the US government acting as a highly permissive world central bank, US military aid to foreign governments and direct US military expenditures abroad—both of which grew constantly between 1950 and 1958 and again between 1964 and 1973—pumped US liquidity back into world trade and production, both of which grew at unprecedented rates.⁴⁵ According to McCormick, the 23-year period inaugurated by the Korean War and concluded by the Paris peace accords of 1973, which virtually ended the Vietnam War, was "the most sustained and profitable period of economic growth in the history of world capitalism."⁴⁶

⁴³ Schurmann (1974: 67)

⁴⁴ Cf Schurmann (1974: 5, 67, 77).

⁴⁵ Cf Calleo (1970: 86-7), Gilpin (1987: 133-4).

⁴⁶ McCormick (1989: 99).

This is the period that many call the Golden Age of Capitalism. Although the rate of expansion of world trade and production in the 1950s and 1960s was indeed exceptional by historical standards, this was hardly the first golden age of capitalism. Just as impressive was Hobsbawm's Age of Capital (1848-1875), which late nineteenth century observers compared to the Age of the Great Discoveries.⁴⁷ Be that as it may, the golden age of the 1950s and 1960s, like the age of capital one century earlier, ended in a long period of financial expansion that culminated in a resurgence of imperialistic practices. The true novelty of the present resurgence in comparison with that of a century ago is the attempt of the declining hegemonic power to resist decline by turning itself into a world state. Such an attempt is a continuation by other means and under radically different circumstances of Roosevelt's world-government project. Although Roosevelt's one-world, global-New Deal version of the project never materialized, Truman's downsized, militarized, Cold-War version resulted in a major expansion of US capital and power. Why then is the neo-conservative project now failing so badly in repeating that experience under conditions of even greater centralization of global military capabilities in US hands?

Charles Tilly's conceptualization of state activities as complementary facets of the organization and monopolization of violence enables us to provide a simple answer to this question. Whatever else governments might do, argues Tilly, they "stand out from other organizations by their tendency to monopolize the concentrated means of violence." This tendency materializes through four different kinds of activity: protection, state-making, war-making, and extraction. Protection is the most distinctive "product" of governmental activities. As Tilly underscores, "the word 'protection' sounds two contrasting tones." With one tone, it evokes the comforting image of a powerful friend or organization that provides a shelter against danger. With the other, it evokes the ominous image of a racket in which a bully forces merchants to pay tribute in order to avoid a damage that the bully himself tacitly or openly threatens to deliver.

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

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

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

⁴⁷ Hobsbawm (1979: 32).

*governments.*⁴⁸

Following Arthur Stinchcombe, Tilly claims that the legitimacy of power holders depends far less on the assent of those on whom power is exercised than on the assent of other power holders. To this, Tilly adds that other authorities “are much more likely to confirm the decisions of a challenged authority that controls substantial force; not only fear of retaliation, but also desire to maintain a stable environment recommend that general rule.”⁴⁹ The credibility of, and difficulty to resist, a particular government’s claim to provide protection thus increase with its success in monopolizing concentrated means of violence. This involves the elimination or neutralization of rivals both inside its territorial domains (state making) and outside (war making). And since protection, state making and war making all require financial and material resources, extraction consists of the activities through which governments procure those resources. If carried out effectively, each of these four activities “generally reinforces the others.”⁵⁰

Tilly’s model emphasizes the synergy among protection-producing, state-making, war-making, and extraction activities in ensuring governmental success in monopolizing concentrated means of violence *at the national level*. In order to apply the model to the US case of a government that has been trying to organize and monopolize concentrated means of violence *at the global level*, two qualifications are necessary. For one thing, the formation of a world state blurs the distinction between state-making and war-making activities, because the would-be world state claims the entire world as its prospective domain and thus *de facto* rejects the distinction between intra- and inter-state domains. Hence the widespread description of the many “wars” that the United States has been waging since the end of the Second World War as police actions rather than wars. Moreover, since the “sanctity of governments” still belongs to the national states, the would-be world state faces greater difficulties in presenting itself as the organizer of “legitimate protection” rather than of a “protection racket.”

Bearing these qualifications in mind, we can trace the failure of the Bush administration to repeat the achievements of the Truman administration to the difference between a dysfunctional protection racket and legitimate protection. Despite all its limits, the downsized, militarized, world-government project launched by Truman qualified and was perceived by a large number of power holders at the national level as legitimate protection. In part, this was due to US reliance throughout the 1950s and 1960s on the United Nation to ensure that at least some of the “sanctity of governments,” which still resided at the national level, would be accorded to US world-governmental activities. The two main reasons why the US Cold War project qualified as legitimate protection, however, were factual rather than institutional.

The first reason, to paraphrase Tilly, was that the project offered a needed shield against a danger that the United States had not produced. Although economically and politically the United States had been the main beneficiary of the escalating violence of the first half of the twentieth century, the epicenter of the escalation was Europe not the United States. Europe was

⁴⁸ Tilly (1985: 170-1). Emphasis added.

⁴⁹ Stinchcombe (1968: 150); Tilly (1985: 171)

⁵⁰ Tilly (1985: 171, 181).

most in need of the shield because, as Mayer notes in a different context, in both World Wars “Europe’s blood sacrifice was immeasurably greater and more punishing than America’s.”⁵¹ But the sacrifice originated in European conflicts. By offering a world order capable of reducing the chances that similar conflicts would recur, the United States thus qualified as a legitimate protector.

Moreover, and this is the second factual reason why the Cold War project qualified as legitimate protection, the United States offered effective protection at an unbeatable price. Roosevelt and Truman were both proposing to finance the worldwide provision of protection with the surplus capital that had accumulated in the United States during the preceding thirty years of worldwide chaos. No state, let alone any of the newly-created international institutions, had the resources necessary to match such a low-priced offer of protection. Indeed, the main problem for the Truman administration was not finding clients for the protection it was offering. The main problem was to persuade the US Congress that the investment of US surplus capital in the production of protection on a world scale actually was in the US national interest. It was to this end that Truman artfully inflated the communist threat.

This situation began to change with the “signal crisis” of US hegemony of the late 1960s and early 1970s. The Vietnam war demonstrated that US protection was not as reliable as the United States claimed and its clients expected. In the First and Second World Wars, the United States had grown rich and powerful by letting other countries do most of the actual fighting; by supplying them with credit, food and weapons; by watching them exhaust one another financially and militarily; and by intervening late in the struggle to ensure an outcome favorable to its national interest. In Vietnam, in contrast, the United States had to do most of the actual fighting in a socially, culturally, and politically hostile environment, while its European and East Asian clients gathered strength as economic competitors and US multinationals accumulated profits in extraterritorial financial markets, depriving the US government of badly needed tax revenue. As a result of this combination of circumstances, US military might lost credibility and the US gold-dollar standard collapsed. To make things worse, the United Nations turned into a sounding board for Third World grievances, generating little legitimacy for the US exercise of world-governmental functions.

After a decade of deepening crisis, the Reagan administration initiated the transformation of US legitimate protection into a protection racket. It discarded the United Nations as a source of legitimacy for US hegemony. It began strong-arming Japan—which happened to be both the client most dependent on US protection and the fastest accumulator of surplus capital—into restraining its competition vis-a-vis the United States through “voluntary” export restrictions (a device unheard of in the annals of international trade) and into using its surplus capital to finance the escalating US budget and trade deficits. It ratcheted up the balance of terror with the USSR through a major escalation of the armament race. And it engaged a great variety of local bullies (including Saddam Hussein) and religious fundamentalists (including Osama bin Laden) in the rollback of Third World and Soviet power. The United States thus began to charge a price for its protection, and at the same time to produce dangers against which it would later offer protection.

The success of the Reagan administration in undermining Third World and Soviet power created the illusion under Bush the elder that the US “empire of bases” could be made to pay for

⁵¹ Mayer (2003)

itself. As Chalmers Johnson has pointed out, such an empire was (and is) far more vulnerable than “the older, self-financing empires” to trade deficits and capital movements. “Occasionally,” however, the US empire of bases “makes money because, like gangsters in the 1930s who forced the people and businesses under their sway to pay protection money, the United States pressures foreign governments to pay for its imperial projects.” The most prominent among these occasions was the first Iraq war. By bringing the United Nations back to provide legitimacy for the war, the Bush administration managed to extract from its wealthiest and militarily most dependent clients (most notably, Saudi Arabia, Kuwait, the United Arab Emirates, Germany, and especially Japan) financial contributions totaling \$54.1 billion, while the US contribution of \$7 billion amounted to just over half that of Japan’s \$13 billion.⁵² Moreover, this huge protection payment was extracted for US protection, not against a danger like communism which the United States had not created, but against a danger that could in part be traced to US support for Saddam Hussein’s war against Iran.

The transformation of US legitimate protection into a protection racket continued by other means under Clinton. UN mediation in generating legitimacy for US police actions was again discarded, this time in favor of a collective pursuit through NATO of choice “humanitarian” missions. At the same time, the Bretton Woods institutions were refurbished as instruments of US rule over an increasingly integrated global market. The “success” of the Bosnia and Kosovo missions, along with the irresistible rise of the new-economy bubble, gave credence to Secretary of State Albright’s representation of the United States as the “indispensable nation.” But the foundation of this “indispensability” was not an alleged capacity of the United States, as Albright claimed, to “see further than other countries into the future.”⁵³ Rather, it was a general fear of the irreparable damage that US policies could inflict on the rest of the world. The dangers against which the United States was now offering protection were thus dangers that the United States itself had created or could create. And the trillions of dollars that foreign governments began pouring into the coffers of the US government showed that US protection was not low-priced any more.

The neo-conservatives in the Bush administration thus did not initiate the transformation of US legitimate protection into a protection racket. When they came to power the transformation was already at an advanced stage. But by pushing it too far, they unwittingly ended up showing its limits, both military and economic. As we have seen in the second part of

⁵² Johnson (2004: 25, 307). According to Johnson, the United States later boasted that it had even made a small net profit from the conflict. See also Hobsbawm (1994: 242). This was the first and only time that the United States, not just sought to make its clients pay for one of its major wars, but actually succeeded in the endeavor. In itself, the success of the extortion was not a sign of hegemony, because at the height of its hegemony the United States paid in full for its wars and the protection of its clients. Rather, it was a sign that US hegemony had ceased to be *hegemony* but was still sufficiently entrenched to enable the United States to make its clients pay for the protection it was providing. The failure of Bush the son to make US clients pay for the second Iraqi war (see below), in contrast, can be taken as a sign that by then the United States had lost both *hegemony* and hegemony.

⁵³ Quoted in Sestanovich (2005).

the paper, their attempt to demonstrate that US military might could effectively police the world and at the same time ensure the continuing centrality of the United States in the global political economy failed in both respect. We can now trace this double failure to an overstretch of the US global protection racket.

On the eve of the invasion of Iraq, Secretary of State Colin Powell himself evoked Tilly's ominous image of protection when he said that the United States ought "to be the bully on the block." The rest of the world would happily accept this role—he went on to assert, calling up the comforting image of protection—because the United States "can be trusted not to abuse that power."⁵⁴ We do not know on what grounds Powell based this belief. But if the reports from around the world cited earlier are at all accurate, less than a year after Powell professed it, the comforting image of US protection had given way to the ominous image of a United States strong-arming everyone onto its own foreign policy agenda. More important, the United States was not succeeding in this endeavor.

The most compelling piece of evidence is the reluctance of even the most faithful US clients to provide the resources that the United States needed to extricate itself from the Iraqi quagmire. Despite Colin Powell's attempt to put up a brave front by declaring a success the "donors conference" convened in Madrid after the UN Security Council had provided the US occupation of Iraq with some juridical legitimacy, payments fell far short of expectations and especially of what the United States had raised for the 1991 Iraq War. Actual donations (that is, grants) were less than one-eighth of the \$36 billion target and considerably less than one-fourth of the US \$20 billion pledge. In sharp contrast with the highly successful extortions of the first Iraq war, the United States was thus left holding the bag. Germany and Saudi Arabia gave virtually nothing. But even Japan's \$1.5 billion pledge—by far the largest at the Madrid conference—paled in comparison with the \$13 billion Japan disgorged for the first Iraq war, especially if we bear in mind that in real terms US dollars were worth quite a bit more in 1991 than in 2003.

This sharp decline in the capacity of the United States to extract protection payments from clients can be traced to the perception that US protection has become counterproductive, either because the United States squeezes some of its clients dry and then leaves them exposed to even greater dangers than the ones from which they have been protected—as in the case of Saudi Arabia; or because US actions are projected to create greater future dangers than the present dangers against which it offers protection—as has probably been Germany's perception. In part, however, the sharp decline in protection payments to the United States can be traced to a perception that the need for US protection, for what it is worth, is less compelling than it was in 1991. This perception has been far more widespread than is apparent from the ritualistic respect still paid to US power. But it is probably most important in the case of Japan and other US clients in the East Asian region.

For up to very recently many states in the region still perceived US protection as essential for countering the real or imagined threat that China posed to their security. Today, in contrast, China is no longer perceived as a serious threat, and even if such a threat were to re-emerge, US protection is perceived as unreliable. Moreover, the capacity of the United States to extract protection payments from its East Asian clients has been further curtailed by the combination of

⁵⁴ Quoted in Harvey (2003: 80)

growing US dependence on East Asian money and decreasing dependence of East Asian countries on the US market with the emergence of China as their largest, fastest growing, and most profitable market.

As shown in the first part of the essay, the attraction of China as an economic and strategic partner reaches well beyond the East Asian region. China's ascent is indeed reminiscent of the US ascent during the world wars of the first half of the twentieth century. Just as the United States emerged as the real winner of the Second World War after the USSR had broken the back of the Wehrmacht in 1942-43, so now all the evidence seems to point to China as the real winner of the War on Terrorism whether or not the United States will eventually succeed in breaking the back of al Qaeda and the Iraqi insurgency. The perspective adopted in this article is insufficient to address the questions of whether this "victory" can translate into a new global spatial fix and what such a fix might look like.⁵⁵ All it allows us to say is that the new imperialism of the *Project for a New American Century* probably marks the inglorious end of the sixty-year long struggle of the United States to become the organizing center of a world state. The struggle changed the world but even in its most glorious moments never succeeded in its endeavor. Coming at the end of this long process, all George W. Bush has done is to prove Albright wrong. "The US, it turns out," laments Michael Lind, "is a dispensable nation."

In recent memory, nothing could be done without the US. Today, however, practically all new international institution-building of any long-term importance in global diplomacy and trade occurs without American participation.... Europe, China, Russia, Latin America and other regions and nations are quietly taking measures whose effect... will be to cut America down to size.⁵⁶

The debunking of the "indispensable nation" myth does not mean that the United States may not engage in acts of provocation that could spark a conflict with China on a regional and possibly global scale, as envisaged in Harvey's worst-case scenario. Nor does it mean that at some point the United States and Europe might not join forces in the kind of "ultra-imperialistic" project that Harvey considered "the only realistic alternative" to "the raw militaristic imperialism" of US neo-conservatives. It does mean, however, that both alternatives look less likely today than they did two years ago. And to the more optimistic minds, it may also indicate that less violent and more benevolent alternatives than those envisaged by Harvey are emerging as real historical possibilities.

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⁵⁵ These questions will be addressed in a future article focused on the non-Western lineages of the East Asian economic ascent and on the social forces that are shaping the hybridization of Western and non-Western lineages, globally and locally.

⁵⁶ Lind (2005).

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