

## HEGEMONY UNRAVELLING—2

**I**N THE FIRST part of this essay, I argued that the recent resurgence of the concepts of ‘empire’ and ‘imperialism’ is above all a consequence of the Bush Administration’s embrace of a new imperialist programme in the wake of 9/11—that of the neo-conservative Project for a New American Century.<sup>1</sup> The paper sought to investigate the social, economic and political circumstances which prompted the adoption of that policy, and in particular its relation to the turbulence of the global economy since the 1970s. In dealing with these questions, I began by examining David Harvey’s interpretation of the relationship between imperialism and capitalist development in *The New Imperialism*, focusing specifically on Harvey’s concepts of ‘spatial fix’ and ‘accumulation by dispossession’ as means to analyse the Bush Administration’s present course.<sup>2</sup> I argued that, far from laying the foundations for a second ‘American Century’, the occupation of Iraq has jeopardized the credibility of us military might; it has further undermined the centrality of the United States and the 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.<sup>3</sup>

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 concluding part of the article, I will highlight these circumstances by using Harvey’s concepts of spatial fix and accumulation by dispossession in a longer perspective than he does. Within this optic, the new imperialism will appear as the

outcome of a protracted historical process consisting of spatial fixes of increasing scale and scope, on the one hand, and on the other, of an American attempt to bring this process to an end through the formation of a us-centred world government. This attempt, I will argue, was integral to us hegemony from the start. Under George W. Bush, however, it has reached its limits and in all likelihood will cease to be the primary determinant of ongoing transformations of the global political economy.

## I. OVERACCUMULATION AND FINANCIALIZATION

As Harvey suggests, there is an interesting correspondence between Hannah Arendt's theoretical observation in *The Origins of Totalitarianism* that 'a never-ending accumulation of power [is] necessary for the protection of a never-ending accumulation of capital', and my own empirical observation in *The Long Twentieth Century* that the expansion of world capitalism has been based on the emergence of ever more powerful leading capitalist organizations.<sup>4</sup> The correspondence, however, is not as 'exact' as he suggests. For Arendt's observation refers to the accumulation of power and capital *within states*, whereas mine refers to the accumulation of power and capital in an evolving *system of states*. The difference is crucial in more than one respect.

Arendt 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 strengthening the state. My observation, in contrast, draws our attention to the process whereby increasingly powerful capitalist organizations have become the agency of the expansion of a system of accumulation and rule that from the start encompassed a multiplicity of states. From this perspective,

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<sup>1</sup> Arrighi, 'Hegemony Unravelling', Part 1, NLR 32, March–April 2005.

<sup>2</sup> David Harvey, *The New Imperialism*, Oxford 2003.

<sup>3</sup> George Soros characterized the neo-conservative bid for global supremacy as a 'bubble' well before its unravelling became evident. Soros, *The Bubble of American Supremacy: Correcting the Misuse of American Power*, New York 2004.

<sup>4</sup> Harvey, *New Imperialism*, p. 34; see Arrighi, 'Hegemony Unravelling', Part 1, p. 29.

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 favour the spatial shifts entailed in the 'endless' accumulation of capital and power.<sup>5</sup>

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 about the world-historical coordinates of this 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 it on a world scale.

### *Cycles of accumulation*

As Fernand Braudel has demonstrated, 'finance capitalism', or what we now call financialization, 'was no newborn child of the 1900s.' 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.<sup>6</sup>

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 over-accumulation of capital ('the accumulation of capital on a scale beyond the normal channels for investment'). And second, it indicates that this tendency towards the repeated overaccumulation and financialization of capital was in evidence long before capitalism became associated with industrialism.

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<sup>5</sup> I prefer the qualifier 'endless' to the 'never-ending' used by Arendt, because 'endless' conveys the more accurate meaning of an accumulation that allegedly 'never ends' and is at the same time an 'end in itself,' whether it actually ends or not. I will use 'endless' in inverted commas to underscore this double meaning.

<sup>6</sup> Fernand Braudel, *Civilisation and Capitalism, 15th–18th Century*, vol. 3: *The Perspective of the World*, London 1984, p. 604.

Braudel also provides a list of dates, places, and agencies that enable us to ground in world-historical space and time Harvey's theoretical considerations concerning finance capital. He suggests that the withdrawal of the Dutch from commerce around 1740 to become 'the bankers of Europe' was typical of a recurrent world-systemic tendency. The same process was in evidence in Italy in the fifteenth century, and again around 1560, when the leading groups of the Genoese business diaspora gradually relinquished commerce to exercise for about seventy years a rule over European finances comparable to that exercised in the twentieth century by the Bank for International Settlements 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 same 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'.<sup>7</sup>

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 recurrent pattern of world capitalism. The central aspect of this pattern is the alternation of epochs of material expansion (MC phases of capital accumulation) with phases of financial expansion (CM' phases). In phases of material expansion, money capital (M) sets in motion an increasing mass of commodities (c), including commoditized labour 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').<sup>8</sup>

Starting from these premises, I have identified four such cycles, each encompassing a 'long' century: a Genoese–Iberian cycle, covering the period from the fifteenth to the early seventeenth centuries; a Dutch cycle, from the late sixteenth to the late eighteenth centuries; a British

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<sup>7</sup> Braudel, *Perspective of the World*, pp. 157, 164, 242–3, 246. Emphasis added.

<sup>8</sup> Arrighi, *The Long Twentieth Century: Money, Power and the Origins of Our Times*, London 1994, pp. 4–6.

cycle, from the mid eighteenth to the early twentieth centuries; and a us cycle, from the late nineteenth century to 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 towards first the material and then 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 only 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 possible its further expansion.<sup>9</sup>

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 from its earliest beginnings encompassed 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 wider or deeper divisions of labour. Under these conditions, returns to capital invested in trade and production increase; profits tend to be ploughed back into the further expansion of trade and production more or less routinely; and, knowingly or unknowingly, the system's main centres cooperate in sustaining one another's expansion. Over time, however, the investment of an ever-growing mass of profits in 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 labour that previously defined the terms of their mutual co-operation 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 material to financial expansion.

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<sup>9</sup> On the historical and theoretical underpinning of systemic cycles of accumulation, see Arrighi, *Long 20th Century*. For a detailed analysis of the transitions from Dutch to British and from British to us hegemony, see Arrighi and Beverly Silver, *Chaos and Governance in the Modern World System*, Minneapolis 1999.

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 channelling the growing supply of liquidity into the hands either of governments and populations in financial straits, or of public and private entrepreneurs intent on 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 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 centres of world capitalism enjoyed a *belle époque* of temporary but nonetheless quite significant reflation of their wealth and power. The reason why *belles époques* of historical capitalism have all been temporary phenomena is because they have tended to deepen rather than solve the underlying overaccumulation crisis. They have thereby exacerbated economic competition, social conflicts, and interstate rivalries to levels that it was beyond the incumbent centres' powers to control. Before we proceed to discuss the ever-changing nature of the struggles that ensued, two observations are in order.

### *Transition mechanisms*

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 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 also in evidence in earlier financial expansions, directly or indirectly exacerbating conflicts within and among states.<sup>10</sup>

At least initially, the escalation of interstate conflicts benefited incumbent centres, because it inflated states' financial needs and thereby intensified their mutual competition for mobile capital—a competition that Max Weber called 'the world-historical distinctiveness of [the modern] era'.<sup>11</sup> But once conflicts escalated into major wars, the incumbent centres generally lost out even in the financial sphere to newly emergent centres 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 centres 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 co-operation that *reduces* the need for accumulation by dispossession in emerging centres. We also noted that Marx's sequence of leading capitalist centres (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 each preceding overaccumulation crisis and the take-off of a new phase of material expansion.<sup>12</sup> To this we should now add that wars 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 centres began long before the escalation of interstate conflicts. This early transfer, however, established claims on the assets and future incomes of the emerging centres that brought back to the mature centres flows of

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<sup>10</sup> Arrighi, *Long 20th Century*, Arrighi and Silver, *Chaos*, especially chapter 3.

<sup>11</sup> Weber, *Economy and Society*, Berkeley 1978, p. 354. See also Weber, *General Economic History*, New York 1961, p. 249.

<sup>12</sup> Arrighi, 'Hegemony Unravelling', Part 1, p. 16.

interest, profits and rents that equalled or even surpassed the original investment. Instead of weakening, it therefore strengthened the position of the incumbent centres in the world of high finance. But once wars escalated, the creditor-debtor relation that linked the mature to the emerging centres was forcibly reversed and the reallocation to the emerging centres became both more substantial and permanent. The mechanisms of the reversal varied considerably from transition to transition. But in all cases, wars were essential ingredients in the change of guard at the commanding heights of world capitalism.<sup>13</sup>

## II. 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.'<sup>14</sup> It shows instead that precisely when the 'same' (i.e., recurrent system-wide financial expansions) appeared 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. Thus, if we focus on the 'containers of power'<sup>15</sup> that have housed the 'headquarters'

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<sup>13</sup> 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 Ralph Davis, *The Industrial Revolution and British Overseas Trade*, Leicester 1979, pp. 55–56; P. J. Cain and A. G. Hopkins, 'The Political Economy of British Expansion Overseas, 1750–1914', the *Economic History Review*, 2nd ser., vol. 33, no. 4, p. 471, and Arrighi, *Long 20th Century*, pp. 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 Barry Eichengreen and Richard Portes, 'Debt and Default in the 1930s: Causes and Consequences', *European Economic Review*, vol. 30, no. 3, p. 601–3; Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000*, New York 1987, p. 268; Arrighi and Silver, *Chaos*, pp. 73–77. The peculiarities of the ongoing us–East Asian reversal have already been hinted at in the second section of 'Hegemony Unravelling', Part I, and will be explored further in the concluding section of the present article.

<sup>14</sup> Michael Hardt and Antonio Negri, *Empire*, Cambridge, MA 2000, p. 239.

<sup>15</sup> Anthony Giddens 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. Giddens, *Contemporary Critique of Historical Materialism*, vol. 2: *The Nation-State and Violence*, Berkeley 1987.



of the leading capitalist agencies of successive cycles of accumulation, we immediately see a progression from a city-state and 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.<sup>16</sup>

As this 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, the United Kingdom and the United States something more than national states. And 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 their proto-national, multinational, or national identities. 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.'<sup>17</sup> But that first stage should 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 ones. 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 can be clearly observed 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 of a capitalist

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<sup>16</sup> For detailed accounts of this progression, see Arrighi, *Long 20th Century*; Arrighi and Silver, *Chaos*, chapter 1; Arrighi and Silver, 'Capitalism and World (Dis)Order', *Review of International Studies*, vol. 27, no. 5, pp. 257–279.

<sup>17</sup> Hannah Arendt, *The Origins of Totalitarianism* [1951], New York 1966, p. 138.

strategy of power in the early-modern European context. Rulers pursuing territorialist strategies sought to accumulate power by expanding 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.<sup>18</sup> The success of this strategy rested on the interaction of two conditions. One was the balance of power among the larger territorial organizations of the European subcontinent. 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 territorially parsimonious capitalist organizations. It also ensured 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 favourable to the capitalist strategy of power. Indeed, it was so favourable 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. It 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 Genoa’s diaspora capitalists specialized in facilitating commercially and financially these activities. Unlike the Fuggers,

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<sup>18</sup> Arrighi, *Long 20th Century*, pp. 33–4.

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 Potosí 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 Suárez de Figueroa lamented in 1617, Spain and Portugal were turned into 'the Indies of the Genoese'.<sup>19</sup>

### *Rise of Amsterdam*

In the second (Dutch) systemic cycle of accumulation, the conditions for the pursuit of a strictly capitalist strategy of power remained favourable, but not as favourable 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 seaborne and territorial empires the Amsterdam-centred system of commercial entrepôts and joint-stock chartered companies that became the foundation of the second systemic cycle of accumulation precisely by doing what the Genoese had not been doing, that is, by becoming self-sufficient in war- and state-making.<sup>20</sup>

Violet Barbour has claimed that this Amsterdam-centred system 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.'<sup>21</sup>

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<sup>19</sup> Ehrenberg is quoted in Peter Kriedte, *Peasants, Landlords and Merchant Capitalists: Europe and the World Economy, 1500–1800*, Cambridge 1983, p. 47 and de Figueroa in J. H. Elliott, *The Old World and the New 1492–1650*, Cambridge 1970, p. 96. For details on the Genoese–Iberian cycle, see Arrighi, *Long 20th Century*, pp. 109–32, 145–51.

<sup>20</sup> Arrighi, *Long 20th Century*, pp. 36–47, 127–51; Arrighi and Silver, *Chaos*, pp. 39–41, 99–109.

<sup>21</sup> Violet Barbour, *Capitalism in Amsterdam in the Seventeenth Century*, Baltimore, MD 1950, p. 13.

Since the United Provinces combined features of the disappearing city-states with those of the rising national states, whether it qualifies as a 'modern state' is a controversial issue. But whichever characteristics 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 neighbouring economies from which they drew strength; soon they would no longer measure up to the task. The territorial states would take over.<sup>22</sup>

We shall deal later with the issue of why the central zone had to 'grow in size' so as '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. While 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'.<sup>23</sup>

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<sup>22</sup> Braudel, *Perspective of the World*, p. 175. Emphasis added.

<sup>23</sup> Quoted in Peter Taylor, 'Ten Years that Shook the World? The United Provinces as First Hegemonic State', *Sociological Perspectives*, vol. 37, no. 1, pp. 36, 38.

In reality, the Dutch system of accumulation, which would indeed have benefited more from peace than from war after Westphalia, had been built through war and the ruin of Iberian trade before it. 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 of violence to destroy existing landscapes of trade and production in order to create landscapes more favourable 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 success of the Dutch strategy, and simultaneously created the conditions for a complete fusion of capitalism and imperialism in the practices of the state that eventually emerged as the new leader of capitalist expansion.<sup>24</sup>

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 centre 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 centre of the globalizing European system of accumulation was a structural shortage of labour. 'Holland,' he claims, 'could only fulfil her role as freighter of the high seas if she could obtain the necessary extra labour from among the wretched of Europe.' It was the poverty of the rest of Europe that 'enabled the Dutch to "set up" their Republic.'<sup>25</sup> 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

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<sup>24</sup> Arrighi, *Long 20th Century*, pp. 144–158, Arrighi and Silver, *Chaos*, pp. 48–51.

<sup>25</sup> Braudel, *Perspective of the World*, pp. 192–3.

imperialism, competition over European labour resources intensified and the size of the Dutch Republic turned into an increasingly insurmountable obstacle. As Stavorinus lamented,

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.<sup>26</sup>

Nor could the Dutch compete with larger 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 outdo Amsterdam's entrepot trade. Moreover, while Dutch industries languished, English industries expanded rapidly under the joint impact of Atlantic trade and increasing governmental protection.<sup>27</sup> British success in outcompeting the Dutch, both in overseas commercial 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.<sup>28</sup>

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<sup>26</sup> Quoted in Charles Boxer, *The Dutch Seaborne Empire, 1600–1800*, New York 1965, p. 109.

<sup>27</sup> Boxer, *Dutch Seaborne Empire*, p. 109; Ralph Davis, 'The Rise of Protection in England, 1689–1786', *Economic History Review*, vol. 19, no. 2, p. 307; 'English Foreign Trade, 1700–1774' in W. E. Minchinton, ed., *The Growth of English Overseas Trade in the Seventeenth and Eighteenth Centuries*, London 1969, p. 115; and Minchinton, *Growth of English Overseas Trade*, p. 13, Introduction.

<sup>28</sup> '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

*London's dominion*

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 had displaced Amsterdam as the financial centre of the globalizing European system of states, as it did by the 1780s, the United Kingdom became the main beneficiary of inter-state 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.<sup>29</sup>

This peculiar fusion of capitalism and imperialism provided 'endless' accumulation 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 truly anarchic—characterized, that is, by the absence of central rule. The inter-state system reconstituted after the Napoleonic Wars under British leadership, in contrast, was one 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 this principle.

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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.' Jonathan Israel, *Dutch Primacy in World Trade, 1585–1740*, Oxford 1989, pp. 383–4.

<sup>29</sup> See Arrighi, *Long 20th Century*, pp. 47–58, 159–169.

What later became the Monroe Doctrine—the idea that Europe should not intervene in American affairs—was initially a British policy.<sup>30</sup>

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 1846 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 inter-state co-operation and securing low protection costs for its overseas trade and territorial empire.<sup>31</sup>

In this respect, the UK-centred system of accumulation also differed radically from its Dutch predecessor. In both systems, the metropolitan territories of the leading capitalist state 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). Britain’s mastery of the European balance of power and centrality in world trade were mutually reinforcing conditions of this peace. The first reduced the chances that any state would have the capabilities to challenge British commercial supremacy in the

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<sup>30</sup> See Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time*, [1944], Boston 1957, pp. 5–7, 259–62; David Weigall, *Britain and the World, 1815–1986: A Dictionary of International Relations*, New York 1987, pp. 58, 111; Henry Kissinger, *A World Restored: Metternich, Castlereagh and the Problems of Peace, 1812–22*, New York 1964, pp. 38–9; Alonso Aguilar Monteverde, *Pan-Americanism from Monroe to the Present: A View from the Other Side*, New York 1968, pp. 23–5.

<sup>31</sup> Michael Barratt Brown, *After Imperialism*, London 1963, p. 63; Paul Kennedy, *The Rise and Fall of British Naval Mastery*, London 1976, pp. 156–64, 149–50; Joseph Nye, *Bound to Lead: The Changing Nature of American Power*, New York 1990, p. 53.



same way the British had challenged Dutch supremacy after Westphalia. The second 'caged' a growing number of territorial states in a global division of labour that strengthened each one's interest in preserving the UK-centred 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 one, the British entrepot was also industrial, the 'workshop of the world.' England had long been one of the main industrial centres 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.<sup>32</sup> 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 peacetime needs, as the post-war depression of 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.<sup>33</sup>

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.' As this system of transport and communication took shape, world trade expanded at unprecedented rates. From the mid 1840s to the mid 1870s,

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<sup>32</sup> Arrighi, *Long 20th Century*, ch. 3.

<sup>33</sup> William McNeill, *The Pursuit of Power: Technology, Armed Force and Society since AD 1000*, Chicago 1982, pp. 211–12.

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 inter-state 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.<sup>34</sup>

Unlike the seventeenth-century Dutch world-trading system, which was always a purely mercantile one, the nineteenth-century British world-trading system thus also became 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 sixfold 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 was to become the principal pillar of Britain's global power.

The unfolding of this process has been detailed elsewhere.<sup>35</sup> Here, I shall simply mention the two main aspects of its relationship to the enlarged reproduction of British power, one demographic and one financial. India's huge demographic resources buttressed Britain's 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

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<sup>34</sup> Eric Hobsbawm, *The Age of Capital 1848–1875*, New York 1979, pp. 37–9, 50–4.

<sup>35</sup> Arrighi and Silver, *Chaos*, pp. 106–114; 223–46.

army, funded entirely by the Indian taxpayer, and used throughout the nineteenth century in the long 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.<sup>36</sup>

### *British decline*

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 centre was initially best positioned to take advantage of the intensification of competition that signalled the change of phase from material to financial expansion. The ensuing Edwardian *belle époque*, however, was but a preamble to an escalation of inter-state 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

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<sup>36</sup> On these and other aspects of tribute extraction from India, see Barratt Brown, *The Economics of Imperialism*, Harmondsworth 1974, pp. 133–6; B. R. Tomlinson, 'India and the British Empire, 1880–1935', *Indian Economic and Social History Review*, vol. 12, no. 4, pp. 337–80; Marcello de Cecco, *The International Gold Standard: Money and Empire*, New York 1984, pp. 62–3; David Washbrook, 'South Asia, the World System and World Capitalism', *Journal of Asian Studies*, vol. 49, no. 3, p. 481; Amiya Kumar Bagchi, 'The Other Side of Foreign Investment by Imperial Powers', *Economic and Political Weekly*, 8 June 2002.

production were potentially much more powerful than Britain's.<sup>37</sup> The rapid industrialization of the 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 rule. 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 centre of world capitalism.

During the war Britain did continue to function as principal 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 its 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 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.'<sup>38</sup> When Britain's credit approached exhaustion, the us threw its economic and military weight into 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.'<sup>39</sup>

### *Washington's ascendancy*

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

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<sup>37</sup> Andrew Gamble, *Britain in Decline: Economic Policy, Political Strategy and the British State*, London 1985, p. 58.

<sup>38</sup> Kennedy, *Rise and Fall of the Great Powers*, p. 268.

<sup>39</sup> Joshua Goldstein and David Rapkin, 'After Insularity. Hegemony and the Future World Order', *Futures*, vol. 23, no. 9, p. 946.

through which the United States had ‘internalized’ imperialism from the very beginning of its history.<sup>40</sup> But it was the transport revolution and the industrialization of war in the second half of the nineteenth century that turned it into a powerful agricultural-industrial-military complex with decisive competitive and strategic advantages vis-à-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—in contrast with 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 empire was an essential ingredient in the formation and consolidation of the UK-centred 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 its imperial possessions turned from assets into liabilities. 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 inter-state power struggle.<sup>41</sup>

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 American ‘superpower’ was vastly superior.’<sup>42</sup> As Thomas McCormick has underscored, US leaders fought the Second World War ‘not simply to

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<sup>40</sup> ‘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”.’ Gareth Stedman Jones, ‘The History of US Imperialism’, in Robin Blackburn, ed., *Ideology in Social Science: Readings in Critical Social Theory*, New York 1972, pp. 216–17. Emphasis in the original. See also John Agnew, *The United States in the World-Economy: A Regional Geography*, Cambridge 1987.

<sup>41</sup> Arrighi and Silver, *Chaos*, pp. 66–84.

<sup>42</sup> Kennedy, *Rise and Fall of the Great Powers*, p. 357.

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 theatre 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 theatre 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.<sup>43</sup>

These analogies reflect the fact that in both transitions, mastery of the balance of power in the inter-state 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.<sup>44</sup>

### III. 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-centred 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,

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<sup>43</sup> Thomas McCormick, *America's Half-Century: United States Foreign Policy in the Cold War*, Baltimore 1989, pp. 33–5.

<sup>44</sup> Arrighi, 'Hegemony Unravelling', Part 1, p. 27.

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 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.<sup>45</sup>

Half a century after this was written, the collapse of one of the two 'world giants' and the further centralization of global military capabilities in us hands made these remarks sound prophetic. But well before Dehio pointed to the demise of 'the old European tendency toward division', 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.'<sup>46</sup>

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<sup>45</sup> Ludwig Dehio, *The Precarious Balance: Four Centuries of the European Power Struggle* [1948], New York 1962, pp. 264–6, 269.

<sup>46</sup> Franz Schurmann, *The Logic of World Power: An Inquiry into the Origins, Currents and Contradictions of World Politics*, New York 1974, p. 68.

The key body here was to be the United Nations, with its appeal to the universal desire for peace and the longing of poor nations for independence and eventual equality with the rich nations. Not without reason, Franz Schurmann finds the political implications of this vision 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.<sup>47</sup>

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 . . . 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.<sup>48</sup>

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

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<sup>47</sup> Schurmann, *Logic of World Power*, p. 71.

<sup>48</sup> Schurmann, *Logic of World Power*, p. 67.



‘free-worldism,’ which turned the containment of Soviet power into the main organizing principle of us hegemony. Roosevelt’s revolutionary idealism—which saw in institutions of world government the primary instrument through which the New Deal would be extended to the world as a whole—was 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.<sup>49</sup>

For Roosevelt’s project was simply too idealistic for the tastes of 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. Congress and the American 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, American military aid to foreign governments and direct military expenditures abroad—both of which rose constantly between 1950 and 1958 and again between 1964 and 1973—pumped liquidity back into world trade and production, which both grew at unprecedented rates.<sup>50</sup> 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.’<sup>51</sup>

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

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<sup>49</sup> See Schurmann, *Logic of World Power*, pp. 5, 67, 77.

<sup>50</sup> See David Calleo, *The Atlantic Fantasy: The us, NATO and Europe*, Baltimore, MD 1970, pp. 86–7; Robert Gilpin, *The Political Economy of International Relations*, Princeton 1987, pp. 133–4.

<sup>51</sup> McCormick, *America’s Half-Century*, p. 99.

capitalism's first golden age. Just as impressive was Hobsbawm's Age of Capital (1848–75), which late-nineteenth-century observers compared to the Age of the Great Discoveries.<sup>52</sup> Like the 'age of capital' a hundred years earlier, the golden age of the 1950s and 1960s 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 that 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 vision 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?

### *Forms of protection*

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 notion of a powerful friend who provides a shelter from danger. With the other, it evokes the sinister 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 both from local racketeers and from outside marauders makes the best offer of all.

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<sup>52</sup> Hobsbawm, *Age of Capital*, p. 32.

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 own activities, the government has organized a protection racket. Since governments themselves commonly simulate, stimulate or even fabricate threats of external war and since the repressive and extractive activities of governments often constitute the largest current threats to the livelihoods of their own citizens, many governments operate in essentially the same way as *racketeers*. There is, of course, a difference: racketeers, by the conventional definition, operate without the *sanctity of governments*.<sup>53</sup>

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.'<sup>54</sup> The credibility of, and difficulty of resisting, 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 them (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.'<sup>55</sup>

### *Changing us role*

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

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<sup>53</sup> Charles Tilly, 'War Making and State Making as Organized Crime' in P. B. Evans, D. Rueschemeyer, and T. Skocpol, eds., *Bringing the State Back In*, Cambridge 1985, pp. 170–1. Emphasis added.

<sup>54</sup> Arthur Stinchcombe, *Constructing Social Theories*, New York 1968, p. 150; Tilly, 'War Making and State Making', p. 171.

<sup>55</sup> Tilly, 'War Making and State Making', pp. 171, 181.

concentrated means of violence *at the global level*, two qualifications are necessary. Firstly, 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 understand the failure of the Bush administration to repeat the achievements of the Truman administration in terms of the difference between a protection racket and legitimate protection. Despite all its limits, the downsized, militarized, world-government project launched by Truman qualified as, and was perceived by a large number of power holders at the national level to be, legitimate protection. In part, this was due to us reliance throughout the 1950s and 1960s on the United Nations 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 it offered a needed shield against a danger 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 epicentre of the escalation was Europe, not the United States. Europe was most in need of the shield because, as Arno Mayer notes in a different context, in both world wars ‘Europe’s blood sacrifice was immeasurably greater and more punishing than America’s.’<sup>56</sup> 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 qualified as a legitimate protector.

The second reason was that the United States offered effective protection at an unbeatable price. Roosevelt and Truman were both proposing

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<sup>56</sup> Arno Mayer, ‘Beyond the Drumbeat: Iraq, Preventive War, “Old Europe”’, *Monthly Review*, March 2003.

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. Indeed, the main problem for the Truman administration was not finding clients for the protection it was offering, but persuading Congress that the investment of us surplus capital in the production of protection on a world scale actually was in the 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 favourable to its national interest. In Vietnam, by contrast, it had to do most of the fighting itself in a socially, culturally and politically hostile environment, while its European and East Asian clients gathered strength as economic competitors and American 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 gold-dollar standard collapsed. To make matters 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 legitimate protection into 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-à-vis the United States through 'voluntary' export restrictions (a device unprecedented in international trade) and into using its surplus capital to finance the growing 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 the 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 George Bush Senior that the us 'empire of bases' could be made to pay for 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 of 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 totalling \$54.1 billion, while the us contribution of \$7 billion amounted to just over half of Japan's \$13 billion.<sup>57</sup> Moreover, this huge payment was extracted for 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 shift from legitimate protection to protection racket continued by other means under Clinton. UN mediation as a means of generating legitimacy for us police actions was again discarded, this time in favour of a collective pursuit through NATO of choice 'humanitarian' missions.

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<sup>57</sup> Chalmers Johnson, *The Sorrows of Empire: Militarism, Secrecy, and the End of the Republic*, London 2004, pp. 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, *Age of Extremes: The Short 20th Century, 1914–1991*, London 1994, p. 242. This was the first and only time that the United States not merely sought to make its clients pay for one of its major wars, but actually succeeded in the endeavour. 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 George W. Bush to make us clients pay for the second Iraq war (see below), in contrast, can be taken as a sign that by then the United States had lost both hegemony and hegemony.

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 the alleged capacity of the United States, as Albright claimed, to 'see further than other countries into the future.'<sup>58</sup> 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 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 protection was not low-priced any more.

### *Dispensable America?*

The neo-conservatives in the Bush administration thus did not initiate the transformation of the us from legitimate protector into racketeer. When they came to power it was already at an advanced stage. But by pushing it too far, they unwittingly ended up exposing its limits, both military and economic. As we saw in the first part of this essay, their attempt to demonstrate that American 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 respects.<sup>59</sup> We can now trace this double failure to an overstretch of the us worldwide protection racket.

Colin Powell himself once evoked Tilly's sinister 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.'<sup>60</sup> 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, the comforting image of us protection had given way to the sinister one of a United States trying to

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<sup>58</sup> Quoted by Stephen Sestanovich in 'Not Much Kinder and Gentler', *The New York Times*, 3 February 2005.

<sup>59</sup> Arrighi, 'Hegemony Unravelling', Part 1, pp. 50–80.

<sup>60</sup> Quoted in Harvey, *New Imperialism*, p. 80.

strong-arm everyone onto its own foreign policy agenda. More important, the attempt was not succeeding.

The most compelling piece of evidence is the reluctance of even its most faithful clients to provide the United States with the resources it needed to extricate itself from the Iraqi quagmire. Despite 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 Iraq occupation with some juridical legitimacy, payments fell far short of expectations and, significantly, of the amounts that had been raised for the 1991 war. Actual donations (that is, grants) were less than one-eighth of the \$36 billion target and considerably less than a quarter of the US \$20 billion pledge. In marked contrast with the highly successful extortions of the first Iraq war, this time the United States was left holding the bag. Germany and Saudi Arabia gave virtually nothing. Even Japan's \$1.5 billion pledge—by far the largest at Madrid—was meagre in comparison with the \$13 billion Japan disgorged for the first Iraq war, especially given that in real terms dollars were worth considerably 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 a perception that its protection has become counterproductive, either because the US squeezes some of its clients dry and then leaves them exposed to greater dangers than the ones from which they have been protected, as in the case of Saudi Arabia; or because US actions threaten to create greater future dangers than the present ones against which it offers protection—as has probably been Germany's perception. In part, however, the dramatic reduction of tribute payments can be attributed to a belief that the need for US protection, for what it is worth, is less compelling than it was in 1991. This belief has been far more widespread than the ritualistic respect still paid to US power might indicate. But it is probably most important in the case of Japan and other US clients in the East Asian region.

For until very recently, many states in the region still viewed US protection as essential for countering the real or imagined threat that China posed to their security. Today, in contrast, China is no longer seen 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 increasing us dependence on East Asian money and decreasing dependence of East Asian countries on the us market with the consolidation of China as their largest, fastest-growing, and most profitable market.

As shown in the first part of this 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 eventually succeeds in breaking the back of al Qaeda and the Iraqi insurgency.<sup>61</sup> 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. 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 centre of a world state. The struggle changed the world but even in its most triumphant moments, the us never succeeded in its endeavour. 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. But today, most 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.<sup>62</sup>

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

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<sup>61</sup> An Institute of Electrical and Electronics Engineers panellist recently recalled the old joke that the us fought the Cold War and Japan won. 'The new joke is that the us is fighting the war on terror, but China is winning'. ('East Asia Rising', [www.spectrum.ieee.org](http://www.spectrum.ieee.org).) It so happens that both jokes capture important aspects of the dynamic of historical capitalism.

<sup>62</sup> Michael Lind, 'How America Became the World's Dispensable Nation', *Financial Times*, 25 January 2005.

United States and Europe might not join forces in the kind of 'ultra-imperialistic' project that Harvey considers the only realistic alternative to 'the raw militaristic imperialism' of us neo-conservatives.<sup>63</sup> It does mean, however, that both alternatives look less likely today than they did two years ago. And, to 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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<sup>63</sup> Arrighi, 'Hegemony Unravelling', Part 1, p. 50; Harvey, *New Imperialism*, pp. 209–11.