THE MAKING OF GLOBAL CAPITALISM

THE POLITICAL ECONOMY OF AMERICAN EMPIRE

LEO PANITCH
AND
SAM GINDIN

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NAOMI KLEIN

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VERSO
London • New York

Dedication

To Melanie and Schuster

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Preface

This book is about globalization and the state. It shows that the spread of capitalist markets, values and social relationships around the world, far from being an inevitable outcome of inherently expansionist economic tendencies, has depended on the agency of states—and of one state in particular: America. Indeed, insofar as the relationship between the American state and the changing dynamics of production and finance was inscribed in the very process that came to be known as globalization, this book is devoted to understanding how it came to be that the American state developed the interest and capacity to superintend the making of global capitalism. In this respect, this is emphatically *not* another book on US military interventions; it is about the political economy of American empire. In this quite distinctive imperial state, the Pentagon and CIA have been much less important to the process of capitalist globalization than the US Treasury and Federal Reserve. This is so not just in terms of sponsoring the penetration and emulation of US economic practices abroad, but much more generally in terms of promoting free capital movements and free trade on the one hand, while on the other trying to contain the international economic crises a global capitalism spawns.

The book has itself been a long time in the making. Indeed, it might be said that its origins go all the way back to the close friendship we forged when we were undergraduates together in the early 1960s. This took root in many common interests but especially important was our mutual awareness of how much historical materialism helped us understand the world. We soon came to appreciate this not in terms of unyielding economic laws and the development of a so-called monopoly capitalism, but rather because it revealed how continuing competition and class conflict, and the contradictions to which they gave rise, not only determined but also were determined by the actions of capitalist states. This perspective proved invaluable as we went on to work, one in academe, the other in the union movement—always drawing strength from this enduring friendship over five decades.

It was just over a decade ago that we set out to produce this book, a project in good part made possible by research funds from the Social Science and Humanities Research Council of Canada, and by the respective positions we held since 2001 as the Canada Research Chair in Comparative Political Economy and the Packer Visiting Chair in Social Justice at York University. It seems invidious to single out for thanks here only some colleagues and staff in the remarkable intellectual community that is York's political science department. It was there that many of our ideas were generated, and that research reports were first presented and debated, especially at the empire seminar series. The discussions with students in the Globalization and the State graduate course were also extremely helpful. For their especially important contributions to the research teams of graduate students that made our work on this book so productive, particular thanks are due to Martijn Konings, Travis Fast, Ruth Felder, Eric Newstadt and David Sarai; Scott Aquanno, Brad Bauerly, Aidan Conway, Tom Keefer, Adam Schachhuber and Sean Starrs; as well as Khashayar Hooshiyar, Frederick Peters and Angie Swartz.

Apart from stimulating interactions with so many of our colleagues at York whose work overlaps with ours, this book has also benefited from discussions over the years with Giovanni Arrighi, Patrick Bond, Dick Bryan, Vivek Chibber, Jane D'Arista, Gerard Dumenil, Peter Gowan, John Grahl, David Harvey, Ursula Huws, Gretta Krippner, Michael Lebowitz, Jim O'Connor, Fran Piven, Lukin Robinson, William Robinson, Chris Rude, Ellen Russell, Susanne Soederberg and Thomas Sablowski—among others too numerous to mention. We are above all appreciative of all the contributions that our dear friend Colin Leys made to this book: his close reading, generous praise, sharp criticism and insightful suggestions for each chapter were invaluable. The comments on the manuscript from Greg Albo, Scott Aquanno, Doug Henwood, Martijn Konings, Donald Swartz and Alan Zuege were also very rich, as were those from Adam Hilton and Justin Panos in the course of helping us prepare the final manuscript. The strong interest of Sebastian Budgen and Jake Stevens in publishing the book, and the thorough work of Mark Martin and their other colleagues at Verso in preparing it for publication, also deserve special mention here, as does the creative effort of Anne Sullivan in publicizing it.

Finally, we are grateful for the support of our wives and children over the decade that went into the making of this book. Long before we started working on it, Melanie Panitch and Schuster Gindin often used to say we really should have married each other. There were no doubt times over the past decade they wished we had, but in fact it was their love and encouragement that nourished us each day, even while their impatience to have it over with prodded us on. It is to them this book is dedicated.

Leo Panitch and Sam Gindin
Toronto, May 2012

Introduction

By the beginning of the twenty-first century, capitalism truly encompassed the world. The fashionable discourse of "globalization" vaguely spoke to this, yet cogent explanations of what had brought it about were in short supply. This was in good part due to the mistaken notion that, in going global, capitalist markets were escaping, by-passing or diminishing the state. This was seen to be true of all states, even the most powerful among them, including the American state.[1] In showing that the making of global capitalism cannot be understood in these terms, this book seeks to transcend the false dichotomy between states and markets, and to come to grips with the intricate relationship between states and capitalism.

In contrast with those who have emphasized the marginalization of states, our argument is that states need to be placed at the center of the search for an explanation of the making of global capitalism. The role of states in maintaining property rights, overseeing contracts, stabilizing currencies, reproducing class relations, and containing crises has always been central to the operation of capitalism. Far from multinational corporations (MNCs) finding it most convenient to have a world "populated by dwarf states or by no states at all," they depend on *many* states to see to it that these things are done.[2]

The American state has played an exceptional role in the creation of a fully global capitalism and in coordinating its management, as well as restructuring other states to these ends. Although there has also been a certain renewed fashionability of the term "empire" to designate the United States, the imperial practices of the American state are usually presented as accompanied by economic decline and explained in terms of fending off challenges from rival states.[3] The reality, however, is that it was the immense strength of US capitalism which made globalization possible, and what continued to make the American state distinctive was its vital role in managing and superintending capitalism on a worldwide plane.[4]

The insights of an Adam Smith or a Karl Marx into capitalism's DNA have often led people to imagine that globalization is no more than an inevitable outcome of capitalism's structural tendencies to expansion. Yet the spread of capitalism throughout the world was not the automatic result of the operation of any historical "law"; it was brought about by human agents and the institutions they created, albeit under conditions not of their choice. It has become quite commonplace to praise Marx in particular for recognizing that capital's competitive drive led it to "nestle everywhere, settle everywhere, establish connections everywhere," so that "in place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations." Rarely quoted, however, has been Marx's no less perceptive insight that, while national barriers are "constantly overcome," so are new ones "constantly posited."[5]

The globalizing tendencies of capitalism may have seemed close to being realized by the end of the nineteenth century when, as Karl Polanyi wrote, "only a madman would have doubted that the international economic system was the axis of the material existence of the human race."[6] Yet the first half of the twentieth century—punctuated as it was by inter-imperial capitalist rivalry, world war, economic crisis and state protectionism—painfully suggested that, far from being inevitable, the very processes of capitalist globalization produced such morbid symptoms for humanity, and therefore such counter-tendencies, as to render the realization of a global capitalism quite unlikely. As Philip McMichael has argued, globalization is "immanent in capitalism, but with quite distinct material (social, political and environmental) relations across time and time-space . . . Globalization is not simply the unfolding of capitalist tendencies but a historically distinct project shaped, or complicated, by the contradictory relations of previous episodes of globalization."[7]

That capitalism's globalizing tendencies were revived after 1945 through the postwar "golden age" had a great deal to do with the way the capitalist states of Europe and Japan were restructured under the aegis of the American state. And although the economic turmoil of the 1970s demonstrated that capitalist crises were by no means a thing of the past, the degree of integration between the advanced capitalist states led them—in contrast to the 1930s—to promote the acceleration of capitalist globalization, rather than retreat from it. This soon included helping to turn the formerly Communist countries, as well as those of the third world, into "emerging market states." What the first great economic crisis of the twenty-first century, which began with a crisis in American finance in 2007, will eventually bring remains to be seen; but particularly notable is the strength of the interstate commitment—now extended from the G7 to the G20—to avoid protectionism, and the cooperation with the American state in containing the crisis so as to keep capitalist globalization going.

States in the Making of Global Capitalism

How global capitalism came about, and the nature of the American empire that superintends it today, are the central themes of this book. But before outlining them, a few general points must be made about states and capitalism, and about empire and imperialism. In the work of most economists, capitalism is seen as virtually synonymous with markets. In this framework, globalization is essentially the geographic extension of competitive markets, a process dependent on the removal of state barriers to this, and the overcoming of distance through technology. Political scientists, for their part, have usually understood that markets are not natural but had to be made, and that states are fundamental actors in this process; however, they rarely probe deeply into the ways this process has been shaped by the intersections of capitalist social relations and the dynamics of capital accumulation.

The mutual constitution of states, classes, and markets has been the main focus, of course, of political economists working within a historical-materialist framework. But they have often been hampered by Marxism's inclinations to analyze the trajectory of capitalism as derivative of abstract economic laws.[8] The conceptual categories Marx developed to define the structural relationships and economic dynamics distinctive to capitalism can be enormously valuable, but only if they guide an understanding of the choices made, and the specific institutions created, by specific historical actors. Building on earlier attempts to develop a theory of the capitalist state along these lines, it is this approach that guides this study of the role of the American state in the making of global capitalism.[9]

One of capitalism's defining characteristics, compared with pre-capitalist societies, is the legal and organizational differentiation between state and economy. This is not to say there was ever anything like an actual separation between the political and economic spheres of capitalism. The distinction between *differentiation* and *separation* is so important because as capitalism developed states in fact became more involved in economic life than ever, especially in the establishment and administration of the juridical, regulatory, and infrastructural framework in which private property, competition, and contracts came to operate. Capitalist states were also increasingly major actors in trying to contain capitalist crises, including as lenders of last resort. Capitalism could not have developed and expanded unless states came to do these things. Conversely, states became increasingly dependent on the success of capital accumulation for tax revenue and popular legitimacy.

It is one thing to say that capitalism could not exist unless states did certain things, but what states do in practice, and how well they do them, is the outcome of complex relations between societal and state actors, the balance of class forces, and, not least, the range and character of each state's capacities. Capitalist states have developed varying means of promoting and orchestrating capital accumulation, as well as anticipating future problems and containing them when they arise, and this has often been embodied in distinct institutions with specialized expertise. It is in these terms that we should understand the "relative autonomy" of capitalist states: not as being unconnected to capitalist classes, but rather as having autonomous capacities to act on behalf of the system as a whole. In this respect, capitalists are less likely to be able to see the forest for the trees than officials and politicians whose responsibilities are of a different order from that of turning a profit for a firm. But what these states can autonomously do, or do in response to societal pressures, is ultimately limited by their dependence on the success of capital accumulation. It is above all in this sense that their autonomy is only relative.

Capitalism's development was inseparable from the deepening of economic ties within particular territorial spaces, and indeed from the process through which formerly pre-capitalist states constructed and expanded their borders and defined modern national identities.[10] The differentiation between state and economy, which was a key aspect of the distancing of political rule from the class structure in capitalism, eventually allowed for the organization of class interests and their representation vis-à-vis opposing classes and the state. As capitalists, farmers, and workers developed distinctive institutions, the arbitrary authority of states was constrained, but the capacities of states were at the same time generally enhanced. One aspect of this was the establishment of the rule of law as a liberal political framework for property, competition, and contracts. Another was the establishment of specialized agencies to facilitate accumulation through regulating markets. Yet another was the establishment of liberal democracy as the modal form of the capitalist state, although this was not realized in any stable fashion even in the advanced capitalist states until the second half of the twentieth century.

As part of the differentiation between economic and political spheres, particular capitalists extended their range of activity beyond the territorial boundaries of their respective states. Insofar as states often encouraged and supported capitalists in doing this, there was always a specifically national dimension to processes of capitalist internationalization. And as the interaction with foreign capital affected domestic social forces, this in turn contributed to generating that combination of inside and outside pressures through which states came to accept a certain responsibility for reproducing capitalism internationally. As we shall see below, it is mainly in this sense that we can properly speak of the "internationalization of the state."[11]

It is therefore wrong to assume an irresolvable contradiction between the international space of accumulation and the national space of states. Rather, when looking at the role that states have always played on the international economic stage, we need to ask how far their activities have been consistent with extending capitalist markets internationally—and also consistent with the actions of other states. Some states have played a much greater role than others in this respect, of course, and in the making of global capitalism none has been greater than that of the American state.

Capitalism and Informal Empire

The age-old history of empires as involving the political rule over extended territories was fundamentally affected by the differentiation between state and economy under capitalism. Before the late eighteenth century all empires had combined economic control with military and political control. It fell to Britain, where the differentiation between economy and state was most advanced, to develop a conception of empire based as much on economic expansion and influence—the "imperialism of free trade"—as on the military and political control of overseas territories.[12] This prototype of an "informal empire" did not of course mark the end of territorial expansion, military conquest, and colonialism. Well into the twentieth century, international capitalist competition was still accompanied by formal imperial rule, and a tendency to dangerous inter-imperial rivalry. Nonetheless, by the late nineteenth century, even at the height of the scramble to extend old-fashioned formal empires, the development of capitalism had gone so far that, when capital expanded abroad, it was increasingly looked after by other states that were themselves spawning capitalist social orders.

The analysis of the international dimension of capitalism, and the insight that the export of capital was transforming the role of the state in both the capital-exporting and importing countries, was the most important contribution of theorists of imperialism writing at the beginning of the twentieth century. But the link these theorists made between the export of capital and the inter-imperial rivalry of those years was problematic, and would become even more so over the years from 1945 onwards. The problem was not only that the classical theories of imperialism saw states as merely acting at the behest of their respective capitalist classes, and thus did not give sufficient weight to the role of pre-capitalist ruling classes in the inter-imperial rivalries of their own time. It was also that they treated the export of capital itself as imperialist, and thus their theories did not really register the differentiation between the economic and political spheres in capitalism, or the significance of informal empire in this respect. This was itself a product of the failure, as Colin Leys once noted, to "disentangle the concept of imperialism from the concept of capitalism."[13]

Although this was perhaps not surprising, given the conjuncture in which these theories were formulated in the run-up to and during World War I, their tendency to directly associate the new export of capital with the old history of imperialism (as the extension of rule through armed conquest of territories), led them to mistakenly conclude that this fusion defined the historical terminus of a mature capitalism. Moreover, the notion of "finance capital" (extrapolated far too generally from the monopoly trusts formed between industrial and financial firms at the turn of the century in Germany) was a hindrance to understanding the much looser relationship between production and finance that increasingly became the norm, along American lines, through the course of the century. But most problematic of all was the attempt to explain the export of capital in terms of the saturation of domestic markets in the major capitalist countries. This failed to recognize the long-run implications of the growth of working-class organizations for the dynamics of capitalism. In the "golden age" after 1945, domestic markets were anything but saturated; profits were realized through expanding working-class consumption, yet capital exports continued, driven by quite different factors, as the export of capital itself was transformed over the twentieth century in the context of the international integration of production through multinational corporations and the extensive development of international financial markets.[14]

On the basis of the changes capitalism had undergone by mid-century, the American state was not only uniquely placed but uniquely capable, for reasons related to its institutional capacities as well as class structure, to relaunch capitalist globalization after its interruption by world war and economic depression.[15] This was a crucial moment in the historical differentiation between the economic and political in the making of global capitalism. In the passage from Britain's only partially informal empire to the predominantly informal American empire, something much more distinctive had emerged than Pax America replacing Pax Britannica. The American state, in the very process of supporting the export of capital and the expansion of multinational corporations, increasingly took responsibility for creating the political and juridical conditions for the general extension and reproduction of capitalism internationally.

This was not just a matter of promoting the international expansion of US MNCs. That state actors explained their imperial role in terms of considerations of universal rule of law was not mere dissembling, even if they always also cast an eye to whether this would benefit US capitalism. As with the informal regional empire that the US established in its own hemisphere at the beginning of the twentieth century, a proper understanding of the informal global empire it established at mid-century requires a scale of analysis that can identify not only the domestic but also the international role of the American state in setting the conditions for capital accumulation. It also requires a very different understanding of the roots of US empire than those advanced by critical historians who linked the American state's "Open Door" policy too directly to its own capitalists' needs for exports due to over-accumulation at home (or even to businessmen's belief in that need).[16] As Chapter 1 shows, economic crisis and class struggle at the time of the so-called closing of the US frontier in the 1890s contributed to the imperial posture of the American state at the turn of the century. But American capitalists invested abroad through the ensuing decades not because of the lack of opportunities at home, but to take advantage of additional opportunities.

It is incorrect, however, to try to explain US imperial practices in aid of commercial interests merely in terms of capitalists imposing them on the American state. The danger with this type of interpretation is that it exaggerates the extent to which capitalists' consciousness of their interests was always so fixed and clear. It also often leads to drawing far too rigid distinctions between internationally oriented and domestically oriented elements of the US capitalist class. The tensions, as well as synergies, between the American state's role vis-à-vis its own society and its growing responsibilities for facilitating capital accumulation in the world at large cannot be reduced to the lobbying of various "class fractions."[17]

Most crucially, such an interpretation gives insufficient weight to the relative autonomy of the American state in developing policy and strategic directions and bringing about political compromises among diverse capitalist forces—and between them and other social forces. This lack of attention to institutional capacity is also evident in Charles Kindleberger's highly influential argument that the Great Depression (and by implication perhaps even the world war that followed it) could have been avoided had the US state been willing to step into the "hegemonic" role that Britain could no longer play as underwriter of the system. This puts too much emphasis on US "reluctance" and too little on its institutional incapacity to manage the international system until the changes it underwent during the New Deal and World War II.[18] Despite the US already having become the leading industrial power and banker to the world by the end of the Great War, and despite the internationalist inclinations of many Republicans as well as Democrats in office, it was only through the crucible of the 1930s and 1940s, as Chapter 2 shows, that the American state developed sufficient institutional capacity to take the helm in a project for making capitalism global.[19]

The American Empire and the Internationalization of the State

The most important novelty of the relationship between capitalism and imperialism that World War II set in train was that the densest imperial networks and institutional linkages, which had earlier run North–South between imperial states and their formal or informal colonies, now ran between the US and the other major capitalist states. The creation of stable conditions for globalized capital accumulation, which Britain had been unable to achieve (indeed hardly even to contemplate) in the nineteenth century, was now accomplished by the American informal empire, which succeeded in integrating all the other capitalist powers into an effective system of coordination under its aegis.

The significance of this can only be fully appreciated with a proper understanding of what it meant in terms of the internationalization of the capitalist state. The creation of new international institutions in the postwar era did not amount to the beginnings of a proto-global state; these institutions were constituted by national states, and were themselves embedded in the new American empire. National states remained primarily responsible for reorganizing and reproducing their respective countries' social relations and institutions of class, property, currency, contract, and markets. But they were now "internationalized" in a different way than they had been before. Now they too had to accept some responsibility for promoting the accumulation of capital in a manner that contributed to the US-led management of the international capitalist order. The American state did not so much dictate this to other states; rather it "set the parameters within which [the others] determined their course of action."[20]

At the same time, while the policies of the new imperial state continued to reflect pressures coming from domestic social forces, including pressures to represent US capitalists' interests abroad, the state responded to these pressures in a way that redefined the American "national interest" in terms of the extension and defense of global capitalism. Domestic tensions with respect to its international role were reflected in heated debates, and even conflicting definitions of institutional responsibilities, within the American state. These tensions were eased by the fact that the accumulation strategies of the dominant sections of the US capitalist class were themselves increasingly global. That said, the state's actions in support of global capitalism were not merely dictated by American capitalists, even if their growing international interests and connections structured the range of options open to the state in its international role. Moreover, the capacity to generate coherent international policies in the face of the conflicts and compromises inside the American state, as it took on the central responsibility for global capitalism while remaining the nation-state of the USA, was never achieved once and for all. Nor was policymaking ever centered in any singular state "brain." It was only in the context of dealing with specific problems thrown up by an international capitalism, and of the accompanying shifts in the hierarchy of US state agencies, that key actors inside the American state struck the compromises and developed the common tactics to produce the kind of policy cohesion that allows us to speak in terms of the American state's imperial strategies.

Apart from its importance as the world's leading capitalist economy, what added to the legitimacy of the informal American empire was the cachet that liberal-democratic ideas and the "rule of law" lent to the US abroad, even if this did not always provide credibility to the claim that American military interventions were all about human rights, democracy and freedom. And just as the liberal democratic project of reconciling formal equality of citizenship with the inherently unequal social relations of capitalism obscured the realities of class, so did the attempt to reconcile national self-determination and the formal equality of states with the inherently asymmetric inter-state relations in a capitalist world economy likewise obscure the new realities of empire.

Many US administrative, legal and constitutional forms were imitated in other states, but this was always mediated and refracted by the specific balance of social forces and the institutional make-up of each of them. Their politics were never a direct reflection of American economic penetration of their economies. Nor did other states become merely passive actors in the American empire; "relative autonomy" characterized the internationalization of these states as well. It was relative autonomy within the American empire that allowed other governments to pressure US governments to carry out their pre-eminent responsibilities in the management of global capitalism in ways that would not simply reflect the political and economic pressures to which American political actors were subject at home. But in doing so, these other governments recognized, usually explicitly, that the US alone had the capacity to play the leading role in the expansion, protection, and reproduction of capitalism.

The US-led postwar order is usually presented in terms of "the victory of the interventionist, or welfare, economy over the market economy," which allowed states to cushion their populations from external disruptions in the context of "the movement towards greater openness in the international economy."[21] But what the notion of this so-called "embedded liberalism" obscures is that the social welfare reforms were structured so as to be embedded in capitalist social relations. They facilitated not the "decommodification" of society, but rather its increasing commodification through full employment in the labor market and through the consumer demand that the welfare state made possible.[22] The social reforms of the welfare state were extremely important in terms of employment and income security, education and social mobility, and they strengthened working classes in many respects; but at the same time these reforms were limited by the way they were linked to the spreading and deepening of markets amid the relaunching of global capitalism.

Chapter 3 shows that, contrary to what is often supposed, it was precisely the concern to lay a stable basis for the spreading and deepening of global financial markets that was embodied in the 1944 Bretton Woods agreement—and the IMF and World Bank that were established under its auspices. In effectively putting the capitalist world on the dollar standard, that agreement reflected the recognition on all sides of the immense size, depth, liquidity, and openness of US financial markets, and it ushered in the steady expansion of the financial sector both in the US and internationally.[23] The considerable power that bankers retained within the American capitalist class and the institutional intertwining of the US Treasury and Federal Reserve with Wall Street were registered in the American state's abandonment of its capital controls after the war. The controls that other capitalist states maintained represented not the defeat of international finance, but rather a pragmatic conjunctural response to postwar economic realities. Most US political actors regarded these controls as temporary arrangements. The explicit long-term goal of the American state was to create the material and legal conditions for the free movement of capital throughout the world. Precisely because these conditions were so successfully fostered in the advanced capitalist countries during the Bretton Woods era, those years should be understood as "the cradle of the global financial order that eventually emerged."[24]

One key feature of this transformation was the deeper incorporation of the American working class despite its considerable militancy immediately after World War II. As Chapter 4 shows, another of its crucial aspects, for which there was no historical precedent, was the extent to which US governments supported the revival of potential economic competitors—through low-interest loans, direct grants, technological assistance, and favorable trading relations—so that they could sell their products to the US. A pattern was thereby set for the economic integration of all the leading capitalist countries, and continues to this day. This laid the basis for the spread of US MNCs, whose growing strength and reach in turn reinforced the imperial capacities of the

American state. The increasing flow of investment from Europe and Japan to the US further deepened the shift from "soft" integration based on lower tariffs to "hard" integration in the shape of cross-border networks of production. This did not mean that trade had become less important, but it was now structured by a broad range of MNCs that were more and more dependent on the regular flow of cross-border inputs and outputs. This increased pressures on states to support the "constitutionalization" of free trade and capital movements through both bilateral and multilateral agreements that effectively protected the assets and profits of MNCs around the world.[25]

As capitalist states increasingly sought to attract foreign investment, their policies became more oriented to offering equal treatment to *all* capitalists, independent of their nationality, which was precisely what the American state had pressed for. MNCs came to depend on equal national treatment by many states; and these states were also internationalized in the sense of coming to take on more and more responsibility for creating and strengthening the conditions for non-discriminatory accumulation within their borders. This eventually included legal and regulatory changes that facilitated the development of their own MNCs along the lines pioneered by the American state. This did not spawn a "transnational capitalist class," loosened from any state moorings or about to spawn a supranational global state; "national capital," in the shape of firms with dense historic linkages and distinct characteristics, did not disappear.[26] Nor did economic competition between various centers of accumulation. But the interpenetration of capitals did largely efface the interest and capacity of each "national bourgeoisie" to act as the kind of coherent force that might have supported challenges to the informal American empire. Indeed they usually became hostile to the idea of any such challenge, not least because they saw the American state as the ultimate guarantor of capitalist interests globally.

The dense linkages binding these states to the American empire were also institutionalized, of course, through NATO and the hub-and-spokes networks of intelligence and security apparatuses between Washington and the other capitalist states. The containment of Communism, whether in the Cold War in Europe or the very hot wars in East Asia, was largely about ensuring that as many of the world's states as possible would be open to the accumulation of capital. As Bacevich has put it: "US grand strategy during the Cold War required not only containing communism but also taking active measures to open up the world politically, culturally, and, above all, economically—which is precisely what policymakers said they intended to do."[27] They made this quite clear, moreover, as is now widely accepted among historians, "well before the Soviet Union emerged as a clear and present antagonist."[28] This was not, as has often been suggested, an extension of the old Open Door policy.[29] That earlier policy had been conceived as securing equal treatment for American products and businessmen within the rival capitalist imperial spheres of influence, whereas the central strategic concern of those who planned the new American empire during World War II was to do away with discrete capitalist spheres of influence altogether. Their prime goal was to "alter the character of the capitalist core."[30]

The new relationship between capitalism and empire established at this time should not be understood in terms of the old "territorial logic of power" long associated with imperial rule merely becoming fused with the "capitalist logic of power" associated with “capital accumulation in space and time.”[31] The US informal empire constituted a distinctly new form of political rule. Instead of aiming for territorial expansion along the lines of the old empires, US military interventions abroad were primarily aimed at preventing the closure of particular places or whole regions of the globe to capital accumulation. This was part of a larger remit of creating openings for or removing barriers to capital in general, not just US capital. The maintenance and indeed steady growth of US military installations around the globe after World War II, mostly on the territory of independent states, needs to be seen in this light, rather than in terms of securing territorial space for the exclusive US use of natural resources and accumulation by its corporations.[32] For instance, US interventions in the Middle East —from the overthrow of Mossadegh in Iran in 1953 to the overthrow of Saddam fifty years later—cannot be understood simply in terms of keeping US gas prices low or winning exploration contracts for American companies. Such narrow concerns would not themselves “merit the intense level of US intervention in the region . . . Rather, America ensures that oil flows from the Persian Gulf are available to fuel international trade and economy as part of its global superpower responsibilities.”[33]

The fact that the US could also plausibly present itself as anti-imperialist (in the old sense of the term) was based on its general encouragement of postwar decolonization and its promotion of an open and inclusive world capitalism. Of course, both the legacy of the old imperialisms, and the vast imbalance between the size of the Marshall Plan and Third World development aid, reproduced global inequalities between the new states and the advanced capitalist ones. Critical use of the term “imperialism” now became ever more loosely associated with core-periphery relations, dependency, and unequal exchange, with little focus on what distinguished the US from other empires. All the advanced capitalist countries might continue to benefit from the North–South divide, but any interventions abroad by them had to be either American-initiated or at least have American approval. The American state arrogated to itself the sole right to intervene against other sovereign states (which it repeatedly did around the world), and largely reserved to its own discretion the interpretation of international rules and norms. Its global reach and responsibilities made it not so much *primus inter pares* as qualitatively distinct from the other advanced capitalist states. (The Soviet Union was of course an entirely different matter, and insofar as it also played an imperial role in the postwar era, it did so in a very different way, precisely because it was not a capitalist state.)

Economic Crisis and the Illusion of Hegemonic Decline

By the 1960s, alongside the activities of MNCs abroad, the international operations of US management, legal, accounting, and consultancy firms also facilitated the making of global capitalism under the aegis of the American empire. This was further enhanced when the City of London switched its international allegiance from sterling to the dollar, and became by the 1960s the Eurodollar satellite of Wall Street. But, together with the appearance of US balance of payments deficits due to the flow of imports from Europe, as well as increased US foreign direct investment (FDI from here on) in Europe, this raised severe problems for the dollar’s fixed exchange rate, even though the US Treasury bond market still served as the foundation for all calculations of value in the global capitalist economy. As Chapter 5 shows, it became the remit of the international nexus formed by the staffs of the US Treasury and Federal Reserve with those of the finance ministries and central banks of Europe and Japan to try to cope with the dollar's problems. In the end they failed to do so within the Bretton Woods framework. That failure was ultimately due to the contradictions produced by the success of the "golden age" in producing near full employment by the 1960s. Growing worker militancy in the advanced capitalist countries, and assertions of economic nationalism in the Third World, combined to deepen the "crisis of the dollar." This was a situation that proved confusing to all the main actors—including the Americans.

Many observers thought that the policy tensions among states around the time of the breakdown of Bretton Woods were a sign of challenges to American hegemony, and the clear beginnings of its decline.[34] As usual, the most prominent US political scientists were picking up the unease of American policymakers themselves, who, having "encouraged as a deliberate act of American policy" the growth of the US's main trading partners in the postwar era, were by the 1960s speaking privately in terms of "trying to make the decline of the United States in the world respectable and orderly."[35] In many respects, the expectations of US international relations "realists" were similar to those of Marxists who continued to expect a resurgence of inter-imperial rivalry.[36] Yet, as Nicos Poulantzas was one of the few to understand clearly at the time, this failed to appreciate the depth of the incorporation of other advanced capitalist states into the new American empire. As he put it just when the first serious postwar capitalist economic crisis was unfolding, in the early 1970s, there was "no solution to this crisis, as the European bourgeoisies themselves are perfectly aware, by these bourgeoisies attacking American capital . . . The question for them . . . is rather to reorganize a hegemony that they still accept."[37]

American "structural power" (to employ Susan Strange's term) was actually enhanced in the wake of the jettisoning of Bretton Woods, although this was not widely recognized until long after the dust from the crisis of the 1970s had settled.[38] It was only well into the 1990s, for instance, that Peter Gowan could plausibly present an account of the Nixon administration's 1971 decision to detach the dollar from gold as a "Faustian bid for world dominance" designed to give the US "monocratic power over international monetary affairs."[39] Yet despite its insights, this interpretation not only downplayed the importance of the links between New York and Washington *throughout* the postwar period; it also overplayed the coherence and clarity with which US policymakers responded to the crisis. In fact, the American state had embarked on an uncharted voyage through the "stagflationary" crisis decade of the 1970s.

But what was most significant was that this crisis did not produce anything approaching the kind of inter-imperial rivalry to which earlier capitalist crises had given rise. As Chapter 6 shows, the institutional infrastructure for the internationalization of the state built by the US, Europe, and Japan in trying to save Bretton Woods would lead in the 1970s to the creation of the G7, and would be crucially important in guiding the passage of international capitalism through the crisis. The fears of overwhelming currency instability once gold was demonetized "along with copper, nickel, silver, not to mention wampum and clam shells" (as

Kindleberger once sarcastically put it[40]) proved unfounded, not least due to the development of currency derivatives by US financial markets. The development of derivative markets provided risk-insurance in a complex global economy without which the internationalization of capital via trade and FDI would otherwise have been significantly restricted.

In 1978 a scarcely noticed US law formally repealed the century-old Coinage Act, which had obliged the American state to convert dollars into gold coins or bullion. That this act was passed without any fanfare reflected the fact that "nobody seriously thought of the dollar in terms of its gold equivalent any longer."[41] But this certainly did not mean that no one any longer thought about the dollar's substantive value. On the contrary, the issue was now not just one of fluctuating exchange rates, or the US balance of payments, or even the price of Treasury bonds; the dollar's growing centrality as the measure of value in the global circuits of capital after the collapse of Bretton Woods made the American state's responsibility for sustaining capitalist confidence in the dollar more critical than ever. What had really sapped this confidence was the inflationary threat which full employment had given rise to, especially as this was associated with increasing labor militancy and popular pressures for greater social expenditure, economic planning, and controls over investment.

It was only when class discipline was eventually imposed inside the advanced capitalist economies that an exit from the crisis of the 1970s was found.[42] Amid a run on the dollar at the end of the decade, as Chapter 7 shows, the stage was finally set for the policy, introduced by the US Federal Reserve under Paul Volcker in 1979, which imposed that discipline. The "Volcker shock," as the Fed's draconian increase in interest rates became known, was designed to establish a permanent anti-inflation parameter which would guarantee that the dollar, backed by Treasury bonds, would provide a reliable anchor for international finance. This was accompanied by a broader neoliberal turn in the US, and its subsequent near-universalization as almost all the world's states, soon including Communist ones, opened themselves up to free trade and the free movement of capital, and promoted the spread and deepening of capitalist social relations.

The common tendency to analyze these developments in terms of the key tenets of neoliberal ideology as articulated by Reagan or Thatcher, or for that matter by Milton Freidman or Alan Greenspan, is a classic case of failing to see the wood for the trees. It misses the continuities between their prescriptions for free markets and the long-term goals already articulated by the American state at the time of the relaunching of global capitalism in the postwar era. And it fails to register the growing contradictions within the postwar class compromise, as the realization of near full employment and growing social expenditures took place alongside rapidly increasing commodification and ever-deepening capitalist social relations. Neoliberalism involved not only the restructuring of institutions to ensure that the anti-inflation parameter was enforced, but also the removal of barriers to competition in all markets, and especially in the labor market. Breaking the inflationary spiral involved, above all, disciplining labor. By accomplishing this, it secured the confidence of industrial as well as financial capital. Despite the Reaganite rhetoric in which neoliberal practices were enveloped ("government is not the solution, government is the problem"), it was the state that