THE PRESENT ECONOMIC CONTEXT IN THE WORLD: THE AMERICAN EMPIRE AND THE ENTRENCHMENT OF GLOBAL INJUSTICE*

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1. AMERICAN IMPERIALISM UNTIL 1945

The best way to understand the present economic context in the world is to look at it in terms of American primacy since 1945 and especially how the USA has consolidated and extended its global power over the past 25 years into an oppressive and exploitative hegemon that can only be described as an (evil) American Empire.

The Americans have not been prepared – at least not until recently – to acknowledge that America has become an *imperium*. During the Cold War the concepts of empire and imperialism had negative connotations in accordance with Lenin's theory of imperialism. In these years the Americans looked at America's position in the world as one of *primacy, leadership and hegemony*. We can, however, put forward arguments that America's imperialism does have a historic lifespan of almost 200 years. During the 19th century the original 13 colonies – united into the USA at the end of the 18th century – did more than their fair share of land-grabbing. The USA bought part of the present USA very cheaply from France and Britain, conquered large parts of Mexican and Spanish territories during unprovoked military operations and nearly eliminated the 3 million Indo-Americans in military conquest. From ±1870 to ±1940 the USA practised *indirect* and *informal* imperialism in Latin and Central America behind the shield of the Monroe Doctrine and legitimized their doubtful actions in terms of its notion of Manifest Destiny. At the end of the First World War (FWW) the

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USA rejected the invitation to play a constructive leadership role in the world and opted to withdraw again into Splendid Isolation and into imperial exploitation in the Western hemisphere.

The devastation caused by the two world wars, by exchange rate instability during the interwar period and by the Great Depression created a dangerous power vacuum in the Western world that could not be ignored by the USA in the years immediately after the Second World War (SWW). The "outbreak" of the Cold War in 1947 created for the USA both the opportunity and the challenge to fill the "power vacuum" by creating a new "world order" in at least the non-communist part of the world. This new "world order" can be described as a Pax Americana. The institutionalization of the Pax Americana was, however, the first "imperial episode" of at least four "imperial episodes" experienced by the USA since 1945.

2. THE FOUR IMPERIAL EPISODES SINCE 1945

The USA's four imperial episodes since 1945 took place as a response to serious conjunctures in global affairs. During each of these conjunctures the USA used its hegemonic position to consolidate its military, economic and ideological grip on a large part of the world as part and parcel of the long-term American disposition towards primacy and ultimately towards imperialism. The cumulative effect of the four imperial episodes is the all-embracing, exploitative and colossal American Empire of today.

The four historic conjunctures are, firstly, the post-SWW period when the Cold War and the Korean War started (1947 – 1950); secondly, the Israeli-Egyptian War (1973), the two oil crises of the 1970s and the decline the USA experienced in its power and prestige during the 1970s; thirdly, the fall of the Berlin Wall (1989) and the implosion of the Soviet Union (1991) that created an opportunity

to construct what President Bush I called "a new world order" (1989-91); and finally, the terrorist attacks of 9/11 and the invasions of Afghanistan and Iraq.

The first conjuncture set up the imperial episode (or opportunity) whereby the USA institutionalized the Pax Americana. The second conjuncture created a hegemonic crisis for the USA and the Reagan administration responded to this crisis by orchestrating the rise of *neoliberal global capitalism* and legitimized it in terms of market fundamentalism (i.e. a new version of laissez-faire capitalism). The third conjuncture elevated the USA to the position of *unipolarity* (in the post-Cold War world) and prompted an attitude of neoliberal capitalist *triumphalism* in the USA. The last conjuncture – i.e. the crisis of 9/11 – offered the Bush administration the pretext to give a *unilateral* and *militaristic* character to the American hegemon and represents the final affirmation of *the* American empire.

From the perspective of the rest of the world – and especially from the perspective of countries in the Poor South – the American empire personifies two related dangers: first, the danger of increased economic exploitation within the structures of neoliberal globalism and, secondly, the danger of uniliteral military invasions into vulnerable countries in the South when they are not behaving themselves in accordance with the American rules of the "global game".

3. THE EMERGENCE OF PAX AMERICANA DURING THE FIRST IMPERIAL EPISODE (1947-1950)

The Pax Americana that emerged after the SWW was based on two "social contracts": an *international* "social contract" between the "free" (or non-communist) countries, and a *national* "social contract" between the social formations in each of the (mainly) developed countries in the free world. The

international social contract was embodied in three new international institutions under the overt leadership of the USA. Firstly, the Bretton Woods Institutions (BWI) created a framework for exchange rate stability to administer a revival of international trade and economic cooperation and to reach agreement on a new set of rules to control the flow of capital to prevent speculative and destabilizing capital movements. Secondly, the United Nations was founded as a forum to settle international disputes peacefully.

Thirdly, NATO was agreed upon as a military alliance dedicated to the restraint of communism. The USA deployed soldiers in many countries and also supplied the nuclear umbrella to contain the Soviet Union in accordance with the doctrine of Mutually Assured Destruction (MAD). The Soviet bloc countries, with their (alleged) threat to the free world, was a key external source for encouraging political economic cooperation amongst the major capitalist states under US political hegemony and military protection. The US Cold War propaganda consolidated the Pax Americana into a remarkable block of co-operating countries. Although the international social contract was designed to create stability and growth and to open up the world to trade, in reality it opened up the world to the American model and for the infiltration of the world by the American transnational corporations (TNC). (Osborne, 2006: 464).

The "national" social contract forged a new power relation between capital and labour in each of the developed countries in the free world to replace the subservient position labour occupied vis-à-vis capital before 1914. The purpose for this new relationship was to maintain full employment and to attain greater social justice after the tempestuous events of the previous 30 years, when the lower classes experienced serious social disruptions by being called up as soldiers and also as unemployed and impoverished workers. Greater social justice was regarded as necessary to convince the lower classes of the merit of a capitalist-oriented system. The new relationship was legitimised in terms of the

Keynesian Social Democratic synthesis and on the basis of the general acknowledgement that the economic system of laissez-faire capitalism (in place until 1914 in Europe and until 1929 in the USA) ought to be replaced by a system of mix-capitalism in which the state does not only have the responsibility to build and finance an expanded welfare state, but also to implement an anti-cyclical macro-economic policy to maintain full employment and exchange rate and price stability.

The two social contracts and the consensus on which the Pax Americana was based were - in the ±30 years after the SWW - conducive to a high economic growth rate (during the Golden Age of mix-capitalism (1950-73)), for full employment, for a movement towards greater social justice and for a revival of international trade and cooperation. The USA played a strategic role as the supplier of several "social goods" – like peace, monetary stability, the dollar as exchange unit and better communication networks - but at the same time the USA consolidated and intensified its grip on the free world. American troops were deployed in more than 100 countries, while the number of American transnational corporations (TNCs) increased sharply and made very profitable investments in both the developed and developing parts of the world. The USA pressurised European countries to give independence to their erstwhile colonies and then "co-opted" the newly independent countries in the free West into the sphere of influence of the Pax Americana. During this period all the developed countries – and also the BWI – supported a developmental policy of state intervention ("statism") in the developing South and an industrial policy of important substitution.

During this period the Pax Americana "gave" much to the rest of the free world, but also "took" much. It is rather difficult to determine whether the USA was at this stage still a benign empire or already a malign one. We should perhaps give it the benefit of the doubt and decide that in this period the USA contributed

greatly to the remarkable political, economic and technological development of the free world.

4. THE EMERGENCE OF NEOLIBERAL GLOBAL CAPITALISM IN THE EARLY 1980S

During the 1970s the post-war boom came to an end and the USA experienced a decline in its power and prestige. Several factors contributed to this decline. Their defeat in the Vietnam war and the Watergate scandal seriously harmed the moral stature of the USA. The Israeli-Egyptian war (1973) and the increase of the price of oil by OPEC caused stagflation, growing unemployment and a fiscal crisis in the USA. When taxation was increased to pay for unemployment insurance, the result was a tax revolt. At the same time the status of the Pax Americana was harmed by the Portuguese defeat in Africa (1974), by the accession of China to the security council, by the Iranian revolution (1979) and by the Soviet invasion of Afghanistan (1980). Amidst greater Soviet aggressiveness to benefit from a new wave of "social revolutions" in many parts of the South, the Pax Americana was put on the defensive as its power and legitimacy was questioned as never before. During the 1970s the USA also experienced an outflow of money and investment towards the developing South and a relocation of industrial activities to the South.

To stop the decline of its power and prestige on the world arena, and to administer its fiscal crises, the USA started to propagate and to implement a new ideological framework from 1980. This boils down to nothing less than a neoliberal "counter-revolution" with the slogan that "there is no alternative" (TINA). This neoliberal counter-revolution implied that the USA rejected both the national and international "social contracts" of the post-SWW period as well as the social democratic consensus on which the cooperation between countries in the free world was based. The USA rejected the post-war contracts almost

unilaterally as only the Thatcher government in the UK supported the ideological shift to the "New Right". Alejandro Colás and Richard Saull described the USA's move towards a new level of imperialism during the second imperial episode (1973-1981) as follows:

> Reagan embarked on an economic programme – neoliberalism and structural adjustment – to rebuild US economic ascendancy over the [rest of the] capitalist world and construct a new social coalition for American empire from the ruins of a collapsed anti-communism social contract. The Reagan administration sought to reconstruct an American-centred international capitalist system for the benefit of the US elite (and its allied social groups mobilised in place of old labour), and in doing so undermined the national economic autonomy of other capitalist states – North and South – which the Bretton Woods system had helped preserve … Whereas the post-war American empire had rested on US economic largesse and capital exports, since 1970s its economic health and political-military strength have rested on sucking in foreign capital and promoting the internationalisation of … the "Dollar-Wall Street Regime", by pressuring other capitalist states to open up their capital and current accounts … The Reagan administration [also] countered Soviet military advances by triggering a new arms race and … by sponsoring, funding, equipping, training and offering diplomatic cover (mainly illegally, outside of Congressional supervision) to an assortment of right-wing and reactionary social and political forces, many of whom were skilled practitioners in the art of terrorism (Colás and Saull, 2006: 14 and 15. See also Mamdani, 2004).

The almost unilateral rejection by the USA of the two "social contracts" and the social-democratic consensus on which the post-war world order were built can be regarded as a betrayal of both the developed and the developing countries in the non-communist world. The new power relation between capital and labour forged after the SWW was suspended and the 19th-century dominance of capital was reinstated. The policy aim of full employment was replaced with the idea that the productivity of the employed workers must be as high as possible to ensure competitiveness in global markets. This led to unemployment rates of more than 10% in Europe and of more than 30% in developing countries in the South. State intervention to build a welfare state and to promote social justice

was replaced by anti-statism and by the slogan on the need for "rolling back the state". In the USA and Britain anti-statism and the retrenchment of the welfare state led to a sharp increase in the unequal distribution of income. In the developing countries in the South the Reagan "turn" towards anti-statism implied that the governments of these countries could no longer be involved in developmental programmes or in tariff protection as they were pressurised by the BWI to implement "structural adjustment programmes" (SAPs) and to leave economic development to the (often non-existent) free market mechanism in their respective countries.

The neoliberal counter-revolution implemented by the Reagan administration during the second imperial episodes in the 1970s and early 1980s was conducive to the rise of the American-controlled neoliberal global capitalist system. In this imperial episode the edifice of the American-controlled global capitalist system was built on four cornerstones. Firstly, it was built on the replacement of the interventionist social democratic model by anti-statism and market fundamentalism; secondly, on the liberalisation and the rerouting of the flow of capital and the establishment of an American debt empire; thirdly, on the liberalisation of international trade on terms advantageous to the USA; and finally, on a new set of rules – prescribed by the USA – in accordance with which the South could participate in global capitalism.

(a) Anti-statism and market fundamentalism

The main purpose of the introduction of the neoliberal ideology of antistatism and market fundamentalism was to create almost boundless freedom and "space" for American TNCs to operate unrestrainedly – inside and outside the USA – in order to attain even higher profits to revitalise US economy. The number of TNC increased from less than 10,000 in 1970 to more than 50,000 presently. Since 1980 a comprehensive *transnationalisation* of the global

economy was brought about. A great variety of America-oriented supra-national organisations (SWO) were also launched. With the rise of global capitalism and the power of the SWOs, it became increasingly more difficult for all the national states (excluding the USA) to maintain their sovereignty vis-à-vis the TNCs and the SNOs.

In accordance with the model of anti-statism and market fundamentalism, the "market players" with economic power and property – in mainly the developed capitalist countries – were granted more freedom and more "space" to perpetuate and to augment their power and property to the detriment of those with less (or no) power and less (or no) property. When the principle of market fundamentalism was also made applicable globally (under the initiative of the Reagan administration), the market players with power and property were given greater freedom and "space" to perpetuate and to augment their power and property in almost al corners of the world. When countries in the South were "invaded" by TNCs with economic power, property and greater freedom, their actions benefited the upper strata in these countries, often to the detriment of the majority.

The USA and the American TNCs are legitimising their often reckless economic expansion in terms of Adam Smith's "Invisible Hand". But Adam Smith stated that very strict institutional conditions had to be in place before the "Invisible Hand" could be "operational". Neither the countries in the North, nor the countries in the South can meet the strict conditions set by Adam Smith. If we take the unequal power and property relation between the North and the South into account, then it is absurd to try to legitimise the spread of American corporatism in the terms of the Invisible Hand and market fundamentalism. I am in agreement with Joseph Stiglitz that the "no idea has had more power than that of Adam Smith's 'invisible hand'". In the North the Invisible Hand is a myth. In the South it has become a destructive myth. It is absurd to make the

Invisible Hand and market fundamentalism applicable on the South. (Stiglitz, 2003).[1]

The unbridled free market system is (and always has been) a "black box": its output depends on what is put into it. A fundamentally free market system has always been a (fundamentally) immoral phenomenon to enrich and empower the privileged minority and to impoverish and disempower the disadvantaged majority. The institutionalisation of market fundamentalism on a *global* scale by the USA created a system that is, on the one hand, enormously advantageous to the TNCs of the USA and other capitalist countries, and on the other hand, alarmingly repressive and exploitative to the impoverished and disempowered majority in the South. After the TNC have been "deregulated" it has become increasingly more difficult to held the TNC (democratically) accountable for their actions by the governments in the North. The goverments in the South are so much more unable to held the TNC accountable. It is, therefore, not surprising that the economic elite in the USA and in other capitalist countries (and the smaller economic elites in countries in the South) have become much richer over the past 30 years and much more powerful, while the poor half of the world's population (mainly in the South) has become even poorer and pathetically powerless. In 1960 the income of the richest 20% of the world's population was 30 times larger than the income of the poorest 20%, 60 times larger in 1990 and is at present approaching 90 times larger. (Wade, 2003: 18-46. See also Gallagher, 2005: 4).

[1] As long as neo-classical economists and dogmatic propagandists of market fundamentalism continue to believe – explicitly or implicitly – in the *myth* of the 'invisible hand' and in its 'god-like' organisational capacities, it will be difficult to convince society, firstly, about the serious *ethical* problems associated with contemporary capitalism on the micro (or individual) level, on the macro (or systemic) level and on the global level; secondly, about the inability of contemporary (and global) capitalism to allocate resources efficiently enough to promote the general interest of society (or of the world population) effectively, and that the *trust* the public is supposed to have in the miraculous organisational function of a market orientated economy – in countries and globally - is not justifiable; and thirdly, about the non-competitive nature of modern capitalism mainly as a result of the spectacular rise of multi-national corporations (MNC) over the past 50 years that created huge organisations, powerful enough to be a law unto themselves and powerful enough not only to defy government regulations but also to scrutinize public opinion and civil society.

(b) The liberalisation and the rerouting of the flow of capital and the establishment of an American debt empire

In 1980 the USA was the largest credit-country the world has ever experienced. Its total foreign assets were equal to 13% of its GNP. Since 1980 the USA deliberately liberalised the flow of capital and implemented measures to suck in a large part of the savings and liquid capital of the rest of the world. Presently the USA debt liabilities to the rest of the world are larger than 25% of the (now much larger) GNP or almost $10 trillion.[2] The rerouting of capital flow started with Reagan's increased spending on defence in 1981. The higher defence spending was financed by massive foreign loans and by implementing the so-called "supply-side economies". International trade and capital markets were drastically liberalised, the supply of money was strictly reduced, interest rates were kept high, while taxation on the rich and on the corporate sector was reduced and greater freedom and "space" were given to the TNCs through the deregulation of the rules of business. These measures caused a deep global recession, but succeeded in bringing about a massive rerouting of the flow of capital. The sharp increase in the flow of foreign money into the USA – and the continuation of this trend – implies that foreigners had attained – and are still attaining – a huge vested interest in the economy of the USA. (Evans, 2005).

The rerouting of capital and the transformation of the USA from the world's largest credit country into the world's largest debt country, turned the USA into a *debt empire* that proved to be very much to the advantage of the USA. This debt empire is a buffer for the USA against economic shocks in the rest of the world. The USA's current account deficit is approaching $1 trillion annually or more the 7% of its GDP. Any country with such a big deficit would experience a sharp devaluation of its currency, but it is not happening with the dollar because

[2] At the same time the chronic deficit of the federal budget has become much larger. The present value of the federal government's expected stream of future expenditure is estimated to be $45 trillion bigger than the federal government's expected stream of revenue (see Ferguson, 2004: 269-285).

foreigners (especially the Japanese and Chinese) are prepared to buy more bonds and more shares in the USA. This state of affairs has put the USA in the unassailable but abnormal position that it can continue to import much more than it can export, because the value of the dollar is (permanently) protected by the USA's huge debt and by the preparedness of the rest of the world to invest even more money in the USA. A large part of USA global power is vested in its status as the largest debt empire the world has ever experienced. (Ferguson, 2004: 279-205).

By succeeding with the rerouting of the flow of capital, the USA also brought about a *financialisation* of the world economy. This financialisation put international financial institutions in the North (but mainly in the USA) in such a dominant position that they can manipulate the flow of capital to the advantage of the North (and especially the USA) and to the detriment of the South. According to Evans, the IMF and more or less 200 international financial institutions (IFI) are in a strategic position to compel the South to act in ways that increase these countries' vulnerability:

> [These] powerful global financial actors are systematically biased in a way that stifles developmental initiatives in the global South ... [They] foster a level of volatility and systemic risk that limits capital flows and increases the vulnerability of the global South to destructive financial risk. The South suffers from both national-level constraints and global fragility. (Evans, 2005: 196-7)

(c) The liberalisation of trade on terms advantageous to the USA

Since 1980 the liberalisation of trade has been playing a key role in the neoliberal strategy of the USA to build a global system under its control. During the deep recession in the 1980s the USA abolished trade restrictions on the import of Japanese motors to crush the resistance of trade unions in the motor industry. Since then trade liberalisation has been used in an ingenious manner to

undermine the bargaining position of labour. Consequently, the percentage of GDP allocated to labour has declined constantly in almost all countries.[3] The liberalisation of trade and the emphasis put by the USA on productivity of employed labour (instead of attaining full employment) and on global competitiveness have been very advantageous for the USA. In contrast with Europe, the USA has abolished almost all elements of the social-democratic model (like unemployment insurance and minimum wages) to create a flexible labour market. By importing huge volumes of cheap consumer goods (mainly from China) the USA can maintain relatively low wage levels and perpetuate its relatively strong competitive position in global markets. Although American imports are almost $1 trillion larger than its exports, the preparedness of foreigners to lend more money to the USA protects the value of the dollar and enables the USA to maintain very high living standards on the savings of foreigners and on the sweat labour of workers in developing countries in the South. The fact that a large part of the cheap imported consumer goods are produced by labourers in the South (and especially in China) to whom exploitative wages are paid and whose human rights are not protected, is seemingly not a moral issue for the Americans.

The emphasis on labour productivity (of employed workers) would have had merit if the "global playing field" – especially between the North and the South – had been level and if Americans were not protected by its "debt empire". Unfortunately, a multitude of asymmetric trade relations and tariff restrictions existed between countries and especially between the North and the South. The North expects of the South to abolish its tariffs on industrial products, while the North continues to maintain tariff protection on goods (especially agricultural products) produced by the South. According to Evans,

[3] Scholte described labour's loss of bargaining power as follows: "Faced with (the) transworld reach and mobility of capital, labour – for which border controls remain very real indeed – has seen its bargaining position vis-à-vis management substantially weakened in the late twentieth century ... Considerable evidence can be marshalled to link contemporary globalisation to global income inequalities, greater job insecurity, and so on" (Scholte, 1997: 6).

> "...neoliberalism preaches the false universalism of "free trade" for all, while, in reality, the contemporary neoliberal trading system does not even offer the South a level playing field. Oxfam estimate losses to poor countries resulting from developed country trade barriers of over $100 billion a year [in 1997]. (Evans, 2005: 197).

The rules of the global game that control "trade-related property rights" (TRIPS) were rewritten in 1996 by the WTO on request of the USA to ensure that the patent rights of especially the USA are better protected and to enable the USA to get hold of a large part of the world's new property rights. The hypocrisy of the North in trade matters has been exposed umpteen times at meetings of the WTO. According to Stiglitz, *"the American hypocrisy in trade matters is surpassed only by its inclination not to obey the rules of the game prescribed by it: ... While America often speaks of "the rule of law"*, its pursuit of unilaterarist policies reflects a rejection of the rule of law at the international level... It is in favour of the rule of law as long as the outcomes conform with what its wants... The problem is that globalization has outpaced political globalization... In the global arena, the United States has repeatedly made it clear that it must get its way. If it can do so by using whatever power it has ... all the better; if it cannot it will go its own way" (Stiglitz, 2003: 312-313 and Stiglitz, 2005).

(d) <u>New "global rules" were made applicable to the South</u>

The developing countries in the South have been – with some exception – very negatively affected by the rise of neoliberal global capitalism. Many of the countries in the South – and especially in Latin America and Africa – borrowed large amounts of "oil dollars" from international banks in the stagnant 1970s. A large part of these loans were pushed on the South through "loan-pushing" by international banks with too many "oil dollars". When it became clear in the 1980s that the developing countries would encounter serious problems in repaying the loans, it was decided by the USA that the BWI would take over the

loans, but at higher interest rates and on the condition that the countries involved should meet the very strict conditions of the "structural adjustment programmes" (SAP) prescribed by the BWI. (Arrighi, 2004).

As far as the developing world is concerned, the rules according to which they were allowed to participate in global capitalism were drastically changed by the USA in the early 1980s. These countries became trapped by the Washington Consensus in a financial dependency from which they cannot escape. According to Stiglitz *"the [global] ruls of the game have been designed for the most part by the advanced industrial countries, or, more accurately, by special interests, for their own interets, and often do not serve well the interests of the developing world, and especially the poor"* (Stiglitz, 2005: 323). As captives of the BWI the developing countries in the South have to obey the SAPs and to implement the ideological approach of market fundamentalism in spite of the fact that many countries in the South have not yet experienced the institutional development (of property, financial institutions, etc.) that can be regarded as minimum conditions of a capitalist system. It is, therefore, not surprising that the GNP per capita of Africa South of the Sahara (South Africa excluded) declined as a percentage of the Rich North's GNP per capita from 1,7% in 1980 to 1,1% in 2000, while the decline of Latin America was from 17,6% to 13,7% (Arrighi, 2004).

The countries of the North (and especially the USA) used during their developing phase in the 19th and early 20th centuries, state intervention and tariff protection to stimulate their development process. These opportunities are no longer available for the countries of the South in accordance with the American prescribed "global rules". The countries in the North are kicking away the ladder with which they climbed to their position of development. This is yet another example of global (and especially American) hypocrisy. (Chang, 2005).

5. AMERICAN UNIPOLARITY IN THE POST COLD-WAR WORLD AND ITS ATTITUDE OF TRIUMPHALISM

The fall of the Berlin Wall (1989), the implosion of the Soviet Union (1991) and the decline of the Japanese economy around 1990 created an unexpected imperial episode for the USA to spread its influence and to consolidate its imperial grip world-wide. At the end of the 1980s a pessimistic mood prevailed in many circles about the future economic growth in the US economy. In 1988 Paul Kennedy warned that the USA is suffering from being "imperially overstretched" because of its involvement in too many corners of the world. (Kennedy, 1988). Against this background the events of 1989/1991 did not only turn pessimism into optimism, but stimulated an exuberant atmosphere of *triumphalist* self-righteousness that neoliberal capitalism, globalism and market fundamentalism had attained the final victory in the ideological battle over what is the most efficient and the most virtuous economic system. The upsurge in American power and influence in the 1990s was rather impressive. Michael Cox argues that "by the beginning of the 1990s, the American empire faced neither disintegration nor imperial overstretch, but found itself gazing forth upon a more open, seemingly less dangerous world in which nearly all the actors (with the exception of a few rogue states) were now prepared to accept its [i.e. America's] terms and come under its umbrella" (Cox, 2006:121).

Francis Fukuyama claims in his *The End of History* (1989) that the end of the Cold War marked "the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government". This was interpreted in the US to spell also the final victory for the American "economic model" and strengthened the conviction that the American hegemony was here to stay and the sooner the rest of the world (including the erstwhile Soviet countries) adjusted to this brute fact the better (Fox, 2006: 115-116). The triumphalist attitude in the early 1990s very much

enhanced the American inclination towards self-glorification. For many Americans the slogan that "what is good for General Motors is good for America and what is good for America is good for the world" was accepted as a self-evident truth. Americans had already for a long time been inclined to believe that by advancing their own interests they also advanced the interests of humanity. After the implosion of the Soviet Union this naïve – and even arrogant – conviction that the USA represents a universal good on behalf of itself and on behalf of the rest of the world became so much more widespread and so much more apparently obvious. All the empires in history were build on this kind of ideological haughtiness. The post-Cold War unipolarity and the ideological haughtiness of Americans strongly stimulated the drive towards American imperialism in dangerous ways – especially during the prosperous 1990s. An ideological atmosphere was created in which the ideologues of market fundamentalism and globalism enjoyed a field day to spread their ideological message as if it contained gospel truths.

The fall of the Berlin Wall and the implosion of the Soviet Union created for the USA an undisputed moment of *unipolarity*. The USA was now in a position to export its "model" also to those countries that had been part of the communist bloc. The pell-mell introduction of free-market capitalism – in accordance with the principles of market fundamentalism – in erstwhile communist countries caused immeasurable disruption and hardship in these countries. The kind of institutional development that must be regarded as a prerequisite for a well-functioning capitalistic system were conspicuously absent in these countries. In its eagerness to turn the economies of these countries into free-market capitalist systems, the USA apparently did nothing to advise these countries about the need for the indispensable institutional development that ought to take place.

In its ideological zealousness about market fundamentalism, the American ideologues regarded "capitalism" not as a "human construct" but as a "natural

construct", and expect that all countries should adopt as soon as possible to it. The end result this ideological attitude of the Americans was that a kind of "cowboy" capitalism was institutionalised in Russia and other former Soviet countries. Instead of the fairly equal distribution of income in these countries during the Soviet period, income became extraordinarily unequally distributed, with a small and artificially created plutocratic elite, on the one hand, and a large underclass much poorer than before 1991, on the other hand.

6. THE EMERGENCE OF A UNILATERAL AND MILITARISTIC AMERICAN EMPIRE AFTER 9/11

The terrorist attacks on 9/11 created a remarkable imperial episode for the United States, not only to demonstrate its global military power, but mainly to use the situation to *rewrite* the rules of the global economic game. John Ikenberry describes the Bush administration's militarism and its willingness to act unilaterally after 9/11 as follows:

> American power advantages are multidimensional, unprecedented and unlikely to disappear any time soon … The Bush administration's willingness to act unilaterally – and its seeming disregard for rules and norms of the international community – raise the spectre of an emerging unipolar era when the United States unbinds itself from its own post-war order and rules the world by force and fear (Ikenberry, 2004: 83-84).

The pressing question of our time is whether the USA is indeed busy rejecting the ruled-based order of the post-SWW and whether it indeed has the intention to replace it with a kind of "neo-imperial" rule in which "force and fear" will play a dominant role. Ikenberry is of the opinion that the USA is using the imperial episode of 9/11 not to reject, but to *rewrite* the rules of the world order to get a better deal for itself:

> A better image of what is happening today is a rising America trying to renegotiate the existing rule-based order. The United States is more powerful, so it wants a better deal. It also faces a transformed international environment, so it wants a different deal. But at the end … the resulting international order will still be organized around rules and institutions – but adjusted to the new realities [to suit the USA] (Ikenberry, 2004: 87).

According to Michael Cox, after 9/11 the Bush administration unveiled "a controversial strategy that not only saw America going to war twice in so many years, but also witnessed a major expansion of US interests". He continues:

> The turn to muscular globalism was a most remarkable one … If, as it now seemed, the United States was embarking on an international "crusade" to defeat transnational terrorism and it was doing so with its own very impressive set of capabilities … Should Americans not perhaps begin to think the unthinkable, namely: that it … *in fact had already become something more than just another great power, [but] an empire*? … An imperial power with all the essential features of an empire, *including the capacity to punish transgressors and set the larger rules of the game* ... In an age of unparalleled US dominance and global terror it looked as if the United States had now *arrogated to itself the international role of setting standards, determining threats, using force and meting out justice* (Cox, 2006: 116-117, my emphasis).

Although Cox does not underestimate the immense power of the USA, he does refer to what Max Weber and Lord Acton have thought: "[that] power is not the same thing as authority, and [that] unlimited power is always likely to corrupt those who exercise it". According to him, "Bush proceeded to wield American power in a fashion that was bound to cause disquiet at best and deep resentment at worst" (Cox, 2006: 125). Jan Pieters is in agreement with Cox when he claims that "never has so much soft power been squandered in such a short period as by Bush since he took power in 2001". He is also of the opinion that *"the Bush II administration is in many ways a Reagan replay..... scrapping the rules of business; less government, more market and evangelic patriotism"*. (Pieters, 2006: 184 and 188).

7. AMERICAN IMPERIAL EXPLOITATION IN A WORLD OF "CLOSE FRONTIERS AND OPEN MARKETS"

Over the past 60 years the USA has built a "world order" that is - from an American point of view - a world of "close frontiers and open markets". The US is presently exercising its global power and its imperialistic plundering through this system of "close frontiers and open markets". This American-controlled global system was constructed – over four successive imperial episodes – with remarkable ingenuity. Its true nature is, however, highly diabolical, especially if we look at it from the perspective of the impoverished majority in the South. (Panitch and Gindin, 2006: Chapter 1).

The USA acknowledges the independence of all countries and – with the exception of a few rogue states – also the legitimacy of the governments of these countries. The "borders" or the "frontiers" of all countries are, therefore, "closed". Although all countries' "frontiers" are "closed", the USA has over the past 60 years taken several steps to ensure the "openness" of all the "markets" of these countries to the infiltration of the ±350 000 American-based TNCs. Simon Bromley describes the unique nature of the American empire as follows:

> It is … something of a commonplace that the *differentia specifica* of the US capitalist imperialism is that it is exercised indirectly *through, between and among* states that maintain *de jure* sovereignty, rather than through *direct* – that is, colonial – imposition. It is an empire fully attuned to a post-colonial world (Bromley, 2006: 45; my emphasis).

Over the past 60 years the USA has taken several steps to prescribe directly and indirectly certain "global rules" that must be obeyed by the host governments when the TNCs infiltrate the "open markets" of these countries. These "global rules" are rewritten regularly to ensure that the interests of TNCs and the USA are protected and promoted in the best possible manner. Colás and Saull

described the USA's dominant position in the system of "close frontiers and open markets" as follows:

> Wherever ... closed frontiers and open markets were threatened ... Washington projected its coercive global power in an attempt to shore up state authority and capitalist social relations. The USA had – and arguably continues to have – various resources in the pursuit of such aims: as the largest capitalist economy, it had the compulsion of the market on its side; as the leading capitalist states: it enjoyed the authority to coordinate other capitalist states, as a liberal democracy it could elicit the socio-political and cultural consent of its own and other populations; and as a military and nuclear superpower it was [and still is] able to deploy unsurpassed lethal force by land, air, sea and eventually space (Colás and Saull, 2006: 7-8).

Over the past 60 years the USA has developed a comprehensive system of *rewards* and *penalties* that are applicable to almost all the states in the world and to all the "market players" operating in the "open markets" of these states. Although the USA acknowledges the sovereignty of all the relevant states, all these states – and especially those in the South – have over the past 25 years experienced a marked decline in their own sovereignty – especially in their ability to take "sovereign" decisions on social and economic policy matters. All countries must obey the rules and prescripts of the BWI, the SNOs, the WTO and the rules of the free trade agreements applicable to them. The "frontiers" of all countries are "closed" but at the same time they are porous enough to let in influence from the outside – especially from the USA. (Kirkbride, 2001).

In the present "global order" most governments are prepared to create condition conducive to invite TNCs and foreign investments into their "frontiers". The TNCs are bringing with them foreign investment, new technology, entrepreneurship and new knowledge when they "penetrate" the "open markets" of foreign countries. They stimulate economic growth and increase the tax capacity of the relevant countries. The governments of these countries have a vested interest in the growing tax capacity and are, therefore, not in a position to

complain about the nature of the foreign-induced economic growth. Countries in the South often experience that the foreign-induced economic growth is very capital intensive, or that its labour-creating capacity is very small, or that it is even destroying job opportunities, or that it causes the distribution of income to become much more unequal - or all these negative effects simultaneously. In spite of all these negative side-effects of foreign-induced economic growth, the host countries are to such an extent "co-opted" by the power structures of global capitalism that they have no choice but to continue to create conditions conducive to inviting foreign involvement. The governments of countries in the South often act *within* the competitive framework of global capitalism like municipalities in a local economy that create all kinds of favourable conditions to lure potential investors to invest in their town and not in the neighbouring town. All the countries – especially those in the South – are "independent" and "sovereign" behind their "closed frontiers", but they do not have the independence and the sovereignty necessary to protect the inhabitants of their countries against the negative side-effects of American imperial infiltration.

When the TNCs infiltrate the "open markets" of countries they are strongly inclined to "co-opt" the entrepreneurial middle class and the skilled and productive part of the labour force. They are rewarding these "co-opted" classes quite generously. At the same time the TNCs "exclude" the poorer and less skilled parts of the local population systematically and "penalise" them because they are not "fit" enough to play the "global game" in accordance with the "global rules" prescribed by America. The part of the population that is excluded by American imperialism is declared "useless" because they have no monetary value for the American TNCs.

We can detect a clear difference between the American infiltration into the "close frontiers and open markets" of developed capitalist countries in the North, on the one hand, and of the developing countries in the South, on the

other hand. In the North up to 80% of the population are systematically *included* to participate in the American-controlled system of neoliberal global capitalism. This part of the population are rewarded quite generously for their participation. At the same time up to 30% of the population in the North are systematically excluded and 10% or more are "declared" unemployed, while the governments of the countries in the North (the USA excluded) are under all kinds of pressures to retrench their social welfare systems. (Bhalla & Lapeyre, 2004: Chapter 1).

In the developing South between 20% and 40% of the population of the relevant countries are systematically included for participating in global capitalism and they are rewarded generously for their participation. At the same time more or less 50% of the population of these countries are systematically excluded from participation in global capitalism. Unemployment rates in the South are maintained at levels between 30% and 40%. The rules of the global game leave no "space" for the governments of developing countries in the South to implement an appropriate developmental policy. Peter Evans puts it as follows:

> "Neoliberal global ideology legal rules, and economic power structures limit and distort the policy options available to global South..... The current behaviour of the United States as a irresponsible grassly self-seeking hegemon dramatically exacerbates the negative features of the global system". (Evans, 2005: 195).

Many of the countries in the South have experienced an increase in their GDP per capita over the past 25 years partly due to the involvement of TNC. But in almost all these countries income has became much more unequally distributed between the global "insiders" and the global "outsiders". The sovereignty of the governments in almost all these countries has been "retrenched" to such an extent by global capitalism and by the SAP, that these governments have almost no power – or sovereignty – to implement the highly needed economic and social policies. These governments in the South have become the pathetically powerless "agents" of the mainly American TNCs. (Arrighi, 2004).

Michael Fox makes the interesting point that, while the USA victory over the Cold War created during the 1990s the impression that American progress will be to the advantage of the whole world, but this is no longer the case:

> The success of empires in general, and ... the American empire in particular, has in the end rested on its ability to deliver a bundle of economic goods in the form of improving living standards, economic opportunity and growth world-wide ... As recent economic events have revealed only too graphically, none of this can any longer be taken for granted (Cox, 2006: 127).

The persistence of abject poverty in the South and the growing inequality between the income of the top 20% and the lower 50% of the world's population are undeniable proof that the system of neoliberal globalism and market fundamentalism are *not* delivering and *cannot* deliver in all corners of the world. On the contrary, the power constellation in the American empire and in the American-controlled system of neoliberal globalism is such that the economic interests of the economic elite in the USA, and the smaller economic elite in the North, and the much smaller economic elite in the South, are enhanced in ways that are very much to the detriment of the poor in both the North and the South.[4] Pres. Thabo Mbeki described global capitalism on one occasion as a system of global apartheid. As long as the American-controlled system of global apartheid remains in place, the social injustices in today's world will remain entrenched.

8. WHAT ABOUT THE FUTURE?

What can we do about this dismal state of affairs? I am afraid that we can do very little. The best we can do is to question the legitimacy of this colossal empire. We can also warn that history has taught us that no empire lasted for

[4] The USA has committed itself in 1975 at the UN to give official develoment and (ODA) equal to 0,7% of its GDP to countries in the South. Its annual ODA over the past 30 years was equal to only 0,11% of its GDP. In 2003 the USA gave $17 billion in ODA, but to reach the target of 0,7% is should have given $77 billion. In the meantime the USA is spending almost $100 billion annually on the war in Iraq.

ever and that the American empire will inevitably collapse – like the British empire - but we do not know when it is going to happen. There is no doubt that the American empire has become very vulnerable. It is interspersed with all kinds of tensions and contradictions. It creates a multitude of distributional conflicts *in* countries and *between* the North and the South. It is possible that the growing interdependence between the USA and India and China can become derailed by irreconcilable differences. The American empire is endangered by an escalating tension between Christian fundamentalism and Muslim fundamentalism. It is also responsible for serious ecological problems. It is, therefore, not impossible that it may collapse, but we should realise that if that happened, it would plunge the world into greater turmoil and bloodshed than were experienced when the British empire collapsed in 1914.

We can perhaps make a plea that the *neoliberal* ideological orientation of global capitalism should be replaced by a *socio-democratic* orientation in an effort to give global capitalism a more human face. But as long as the USA remains in control, this is not likely to happen. (Held, 2004). At the end we have probably no choice but to be very pessimistic about the destiny of a large part of humanity in the 21st century.

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