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Rise and Fall of US Imperialism

Chronis Polychroniou

The article focuses on the role of the US imperial state in the process of worldwide capitalist development and capital accumulation and its efforts to establish global hegemony. It argues that US imperialism has reached a critical stage in its evolution: the over-extension of the empire is causing the downfall of the domestic economy and society. Domestic economic reconstruction has been sacrificed for global corporate and financial expansion as the interests of the capitalist ruling class lie in foreign investments and global markets.

THE cold war is over, but the neoliberal global order spearheaded by the US since the late 1980s is already crumbling under the weight of its own contradictions. Instead of democracy, freedom, and security, as the empire-builders promised, the new wave of globalisation has unleashed the political forces of authoritarianism and oligarchy, ethnic hatred and civil war, and has ignited a new spark of military rearmament. The neoliberal theology, "let the market have its way [*The Economist* June 29, 1991], has not produced "economic miracles" but, on the contrary, worldwide declining living standards, massive unemployment, environmental despoliation, suffering, and polarisation. Indeed, an 'Empire of Chaos'¹ is an apt characterisation of the post-cold war world order.

Unlike the New World Order established in 1945, the post-cold war world order lacks hegemony to sustain the economic, political, and social arrangements that constitute the 'new imperialist order'. In spite of the wishes of American policy-makers to erect a new Pax Americana in light of the opportunity presented to them by the elimination of the former socialist bloc, the fact of the matter is that the US is in an irreversible course of decline and, unlike in 1945, no longer capable of reinforcing the nexus of international relationships upon which the newly created neoliberal global order depends. The dialectics of America's status and its position in the world today is that while the US can intervene abroad without having to worry about a Soviet response, its economic power has eroded to the point that military interventions depend increasingly upon the willingness of its allies/competitors (Germany and Japan in particular) to support such operations, both politically and economically.

The US economy has been in a state of deep, structural crisis for over two decades now and its problems are mounting: plant closings, industrial decay, astronomical deficits, stagnated incomes, crumbling infrastructure, decaying cities, moribund banking, disintegrated education, health care, and social security threaten to reduce the US economy to a third world status while crime, drugs, economic alienation and racism are tearing the social fabric apart and thereby presenting the US ruling class with greater

opportunities to extend the police operations of the US imperial state to the domestic realm as well – as increasing the size of the police force and building more prisons are the only remedies the capitalist class is capable of prescribing to the structural crisis of the US economy. Since the 1960s, the US has been falling "behind its major competitors in rate of growth in every single significant category in economic life" [Laxer 1989:9].² With some \$ 3 trillion in total government debt, the US is the largest debtor nation in the world. Calculations based on the Luxembourg Income Study reveal that "the US has the highest poverty level and most unequal distribution of income in the Northern Hemisphere" [Solomon 1994:16]. As recently as 1992, the top fifth of American families got 51.3 per cent of US income versus 6.5 per cent for the bottom fifth [*Business Week*, August 15, 1994]. Over 34 million Americans live below the poverty line [Cuomo Commission 1992:130]. Some 35 million people have no health insurance at all [Health Insurance Association 1990:13]. Among the leading western industrialised countries, the US has the highest rate of poverty for children [Arnott 1994:166] and ranks 20th in infant mortality rates [Shuman 1994:1]. The US also has the highest rate of incarceration in the entire world.

The only clear superiority the US maintains is in the area of military weapons and technology, which in the post-cold war era has indeed become the cornerstone of the nation's foreign policy. It is upon the basis of the US military superiority that a 'collective will' has been temporarily formed among the major capitalist powers, as evidenced by the way the US was able to gain support for its barbaric and cowardly war against Iraq.³ Nevertheless, military predominance alone is hardly sufficient to provide stable, long-term hegemony within the ranks of the imperialist powers. Economic and political interests will gradually create cleavages and tensions and conflicts will erupt, as they already have, for example, in the area of the US-Japanese trade relations.

It is a conceptual error to believe that globalisation has made obsolete distinct blocs of capital and the nation-state.⁴ One of the main paradoxes of the new wave of globalisation, which is certainly real, is that the world economy is splitting into regional

economic blocs headed by the dominant state in the region – Germany in Europe, Japan in the Pacific, and the US in the Americas. Globalism and regionalism operate simultaneously in today's world economy, a phenomenon which is part of the process of the dialectical contradiction of a 'leaderless' world capitalist system. In today's world economy, hegemony is to be found not at the global but rather at the regional level. Thus, the world imperialist system is fraught with contradictions at all levels: contradictions between members of a bloc, between the different blocs, and between the blocs and other countries.

Essentially, the newly created neoliberal global order reflects the end of the transition from superimperialism (which was based on US supremacy in the world economy from 1945 to 1973) to the renewal of interimperial rivalries. The resurgence of interimperial rivalries and conflicts has become once again the essential means through which capital reorganises itself and creates in turn the objective basis for the fundamental contradictions and crises in the unfolding of imperialist accumulation. The process of the internationalisation of capital and, connected with this, the decline of the US, has given rise to new centres of accumulation within the imperialist chain and, in an extended manner, to new imperial powers. In the absence of a single hegemonic power, the operations of the neoliberal global economy are prone to intensified crises and greater instability.⁵ In this context, the objective and analytical primacy of the decline of the American empire is essential and must inform Marxist analysis of the developing international situation. It is also necessary for the politics of radical social change in the US as well as abroad.

Let us be very clear about it. Given the current world economic and political situation, the declining position of the US is fraught with both dangers and opportunities. The empire will not go down without a fight. If history is of any true guidance, empires become more bellicose when they reach that crucial stage in their evolution where power is beginning to slip away from their control. To be sure, trends toward greater militarism abroad and the rise of authoritarianism at home have already appeared loud and clear on the US imperialist

camp since the early 1980s. And no-one should be deceived by now by the presence of a democrat president in the White House. It is plainly clear that the policies of the Clinton administration are in many essential regards even more conservative than those of the Reagan and Bush administrations [Petras and Vieux 1994:25-30]. Whether it is in foreign policy (NAFTA, Cuba, Bosnia), or on domestic issues (welfare, crime), Clinton is catering to the needs and demands of his business supporters and is obediently staying the course in promoting the interests of a global empire at the expense of domestic reconstruction. However, there are also real opportunities opening up now with the decline of the American empire for structural reforms of the economy. As immiseration and polarisation continue to rise in the US, popular struggles for social change, especially amongst the huge reservoir of economically, politically, socially, racially, and culturally oppressed groups of people in large inner cities, may reappear on the stage with dramatic effects. In this context, the organisation and mobilisation of working class people along the lines of an independent, class-based democratic movement must become the explicit goal of the American Left. Efforts for change from within the establishment of the Democratic party are doomed efforts and a sure way in fact of keeping the system functioning like business as usual. Saul Landau has it right when he says that the Democratic party is not really a party but a "money-laundering operation" [Booth 1994:262]. Either way, however, what is absolutely certain is that whether the pendulum in this country swings either toward greater authoritarianism and anti-working class politics or substantial democratic reforms depends ultimately on popular expectations and responses.

Below we look at the political economy of US imperialism from its origins to the present. Attention is focused on the role of the US imperial state in the process of worldwide capitalist development and capital accumulation and its efforts to establish global hegemony. From a Marxist standpoint of view, the rise and the decline of the American empire can only be understood within the context of the dynamic and contradictory processes of capital accumulation, interimperialist rivalries, and class antagonisms. The contention here is that US imperialism has reached a critical stage in its evolution: the over-extension of the empire is causing the downfall of the domestic economy and society. Domestic economic reconstruction has been sacrificed for global corporate and financial expansion as the interests of the capitalist ruling class today lie in foreign investments and global markets.

The article is divided into three sections. Section one looks at the rise of US

imperialism and the emergence of the US as a major world power from the 1890s up to the period leading to the second world war. Section two highlights the phase of US global hegemony from 1945 up to the early 1970s. Section three ponders on the crisis of US imperialism and the decline of the American empire from 1973 to the present. Finally, in the conclusion we raise questions about the future of US imperialism and the consequences of the continued diversion of domestic resources to projecting power in the post-cold war era.

I

Rise of US Imperialism

America has a long history of the use of force, oppression, and outright terror. From the Indian massacres by the early colonists to the gruesome slaughtering of over 2,50,000 Iraqis during the 1991 Gulf war and to the insidious policy of embargo on Cuba, American power has functioned as an instrument of imperial rule and subjugation and violence has been the norm rather than the exception. The reasons are deeply rooted in the American culture. American consciousness has been shaped by the principles of 'Protestant denominationalism' [Augelli and Murphy 1988] in which religion, politics, and racism intermingled to define America's role in the world and ultimately justify expansion, conquest, and enslavement. Indeed from its origins America and American expansionism marched to the tunes of fundamentalist overtures – exceptionalism, racial superiority, 'divine mission' and the like. A crusading spirit to extinguish, govern, or control 'savage' 'senile', and 'barbarous' people runs like a red thread throughout American foreign policy and diplomacy – from Washington's belief in the extinction of the Indian right of occupancy, by whatever means necessary, to the acquisition of California by conquest from Mexico in 1848, and from the military interventions and occupations in the Caribbean during the late 1890s, and early 1900s to Ronald Reagan's 'evil empire' mentality and George Bush's Saddam Hussein 'syndrome'.

No less influential factor in the conditioning of the American political culture has been 'possessive individualism' – a philosophy of radical individualism that glorifies private property, competition, and self-aggrandisement and regards 'might is right' as something natural. Throughout the 19th century the build up of colossal fortunes by few was defended as actions reinforcing both the laws of nature and of God. Thus, as John D Rockefeller declared, "The growth of a large business is merely a survival of the fittest... The American beauty rose can be produced in the splendour and fragrance which brings cheers to its beholder only by

sacrificing the early buds which grow up around it. This is not an evil tendency in business. It is merely the working-out of a law of nature and a law of God" [Farhang 1981:91]. These sentiments also apply to the business of imperial policies. The orgy of US imperial conquest during the late 19th century was routinely defended on claims that "spoke of the dynamism of the Anglo-Saxon race leading inevitably to territorial expansion" [Farhang 1981:80]. The expansion of the American empire was the 'natural order' of things and God was always on America's side.

However, while cultural factors played a significant role in America's quest toward imperial growth and expansion, the rise of the US into an imperialist power and history's most powerful and destructive empire was due to specific economic and social developments at a particular stage in the development of capitalism as a social system – the monopoly and imperialist stage.

During the last two decades of the 19th century innovations in science and technology led to substantial changes in the productive forces of capitalism. High-speed machinery and new sources of power created large-size productive processes in all segments of the economy (manufacturing, agriculture, energy, transportation, steel and petroleum) and hastened the concentration and centralisation of capital through the expropriation of smaller capitalists by larger ones. Giant corporations emerged that begun to dominate economic life on a national scale and to increasingly intrude into the economic environment of other countries [Bunting 1986]. The free market was displaced by capitalist monopoly. Cartels, syndicates, and trusts, intertwined with banks, determined now the structure of the economy.

With the transition of capitalism to the monopoly stage, capital export attained increased importance. International investments, which played a very minor role in international affairs during the early part of the 19th century [Kenwood and Lougheed 1992:36], begun to characterise more and more international economic relations. The scramble for colonies also intensified during this period as the major capitalist power were desperate for raw materials, new markets, and spheres of capital investment. Whole continents – Africa, Asia, as well as Latin America – were annexed and subjected to either colonial or semicolonial rule [Stavrianos 1981:281]. As L S Stavrianos writes, "whereas an average of 83,000 square miles of colonial lands had been acquired each year between 1800 and 1875, the figure jumped to 2,40,000 square miles for the period between 1875 and 1914" [Stavrianos 1981:263-64]. Wars among the major imperialist countries defined the politics of imperialism during its early period.

The US arrived on the imperialist stage with the war against Spain in 1898, after having already demonstrated its willingness to play the role of a world power in the crisis that erupted over the boundary line separating Venezuela and British Guiana in 1895. By that time the US had already become the leading industrial power in the world and concentration (first through the trust movement between 1879 and 1890 and then through the consolidation movement between 1897 and 1903) had reached great heights [Link 1967:48]. Giant corporations like Standard Oil (controlling over 85 per cent of the refinement and production of crude and illuminating oil, respectively) and the American Sugar Company had been formed and cartels already represented a central component of capitalist economic life. By the turn of the century, the top 4 per cent of corporations "produced 57 per cent of the total industrial output by value" [Weinstein 1981:63]. Concentration of banking also experienced the same process, with finance capital becoming the dominant bloc of capital: having combined their resources, J P Morgan and Company, the First National Bank, and the National City Bank "was represented by 341 directors in 112 corporations having aggregate resources exceeding \$ 22,000,000,000" [Barck, Jr and Blake 1947:45]. In the light of the new developments in the basic operating framework of the US economy, imperialist expansion became a necessity for the very survival of the system of monopoly capitalism. The US monopoly capitalist economy was threatened by its own industrial growth. New markets had to be sought to buy the goods and products of the American economy, new areas to be found for raw materials to sustain the growth of industry, and new sites for investment. The same violent, self-assertive attitudes that the colonists had expressed some 200 years ago resurfaced now and with even greater clarity. Calls for war were heard everywhere as capitalists sensed that 'war is prosperity' [Schirmer 1972:45]. The ruling class begun to mobilise the state and its apparatuses in leading the way to war, the goal of which was economic expansion and enlarging the US empire, although humanitarian concerns over the treatment of Cubans by the Spaniards were cited, quite naturally, as the reason for going to war. The interests of corporate and finance capital were thoroughly and permanently incorporated into US policy. And so monopoly capitalism was converted into state monopoly capitalism. By the same token, the state became an imperial state.⁶ That is, its activities were no longer confined to the domestic arena but extended to the international system as well. In this context, military force became the chief means through which the imperial state promoted and secured the process of capital

accumulation on a world scale. But this should not be surprising. As Michael Parenti has put it empires "are built upon the sword, the whip, and the gun" [Parenti 1989:38].

Unlike earlier expansion, imperialism is no longer an attitude or question of desire and choice. The system of monopoly capitalism requires an imperialist course in its quest for greater profits. Thus imperialism is not a policy but a system driven by economic necessity and it underlines the monopolisation of capitalist economic life and the internationalisation of capital.⁷

With the defeat of Spain, the US gained control of the Caribbean dominion and rapidly spread into the Western Pacific and the Far East with the proclamation of the open door policy in 1899 – the first imperialist announcement of the intentions of the US to wrestle power away from Japan and the Europeans in the Pacific and to have access to China's trade. The march of the US toward becoming a world empire had begun. Indeed, between 1900 and its entry into first world war in 1917, the US secured an interoceanic canal with territories and bases stretching throughout the Caribbean and the Pacific. In the years 1899-1900 Puerto Rico was converted into a colony, Cuba into a protectorate, the Philippines were annexed after first US troops brutally suppressed the national liberation movement of Emilio Aguinaldo by killing over 20,000 Filipinos, and Hawaii, Guam, and Samoa were occupied. In 1903 the US established a protectorate over Panama and realised its long interest in a canal by securing the Panama Canal Zone, and between 1898-1917 it made a series of military interventions in Cuba, Haiti, Nicaragua, and the Dominican Republic. Indeed, with a free hand in the Caribbean, the US imposed military dictatorships throughout the region and monopolised the various economies, thus setting a pattern of imperialist influence and control that has continued right down to this day [Fernandez 1994].

The foreign economic activities of the US during the period between 1900 and first world war also increased geometrically to the expansion of the empire. US foreign investments grew from \$ 500 million in 1900 to \$ 2.5 billion in 1914 [Woodruff 1982:150-51]. In the Caribbean area alone US investments rose by \$ 400 million between 1900 to 1902 and by 1912 they reached \$ 1.5 billion [Gardner 1976:52-53]. As might be expected, there was also a dramatic increase in US foreign trade. Between 1890 and 1914 American exports witnessed a three-fold increase, with 63 per cent of the manufactured goods going to Europe, while imports increased more than two-fold [Barck, Jr and Blake 1947:10]. Here it is interesting to note that the flow of the US goods and products in Europe at

the turn of the century was indeed so sudden and overwhelming that the phrase 'the Americanisation of the world' was coined to alert European leaders to the dangerous ramifications of the economic dominance of the US [Kennedy 1992:245].

Yet, the economic prosperity that the American empire was enjoying during this period did not translate into gains for the majority of the American working class people. Unemployment had dropped from 18 per cent in 1894 to less than 4 per cent in 1902 [Duboff 1989:71]. Nevertheless, poverty was quite widespread, with as much as half of the industrial workers living below the line of poverty, while working conditions were so hazardous that surveys conducted in 1907 and 1913 found that thousands of American workers annually were killed on the job and more than half a million were either crippled or seriously injured [Link et al 1987: 10]. The big winners were the industrialists and the bankers. The workers created all the wealth but the capitalists reaped all the benefits. And the state, in fusion with big business, made sure that this remained the case.⁸ The famous Sherman Act of 1890, for example, from an alleged piece of legislation designed to be used against illegal monopoly formations, became in the 1900s – an era of growing radicalism in the US – a weapon that the government used to smash workers' strikes and boycotts [Link et al 1987].

First world war was a major blessing for the US in its march toward a global empire. First, it provided a tremendous boost to the US economy as America became the main supplier of food, military weapons, and raw materials to the Allies. Between 1914 and 1916 American trade with the Allies grew from \$ 825 million to an astonishing \$ 3.2 billion [Link 1987:119]. Second, the war caused a dramatic shift in the balance of the imperialist forces. The contradictions of inter-imperialist rivalries on the European continent (exasperated by the emergence of powerful Germany eager to challenge the imperialist status quo) that led to the first imperialist world war left in the end the old European power system in ruins and saw in turn the rise of new imperial powers in the world, Japan and the US [Kennedy 1992: 327]. But the US emerged from the war as by far the most powerful nation. Indeed, the changes in America's international position were profound. Up to the period leading to first world war the US had been a capital-importing nation. By the end of the war, however, the US "became the world's greatest financial and creditor nation, in addition to its already being the largest producer of manufactures and foodstuffs" and "had by far the largest stock of gold" [Kennedy 1992:327]. While in 1914 foreign assets in the US exceeded by over 50 per cent private American assets abroad, by 1919 the situation

had been practically reversed [Williamson 1951:543]. After the end of first world war both the British and the French owed several billions of dollars each to the US and, more important, saw their international investment position decline rapidly in the coming years *vis-a-vis* that of the US. US foreign investment grew from a mere 6.3 per cent in 1914 to over 35 per cent in 1930, while foreign investment for Germany, France, and Britain experienced a marked decline [Lotta and Shannon 1984: 192]. Furthermore, by the early 1930s the pound-sterling was no longer serving as the key standard for the international monetary system and was replaced instead by gold – a shift which, as Charles Kindleberger has pointed out, reflected the changed status of the US in the international economy from a debtor to the European powers before the war to a creditor nation [Kindleberger 1966:207].

There can be no doubting that the US had become after the end of first world war the leading economic force in the world capitalist economy. What is often ignored or downplayed, however, is the political position the US gained in the postwar era. At the Versailles conference, Woodrow Wilson clearly dictated the terms of peace, and even though Britain, France, Belgium, and Holland did not agree with his insistence on a system of collective security rather than the traditional balance of power, America was permanently entangled in world affairs⁹ – as the decision to intervene in Russia in 1919 in hope of overthrowing the Bolshevik leadership, the signing of the Washington Treaties in 1922, and the renewed intervention in Latin America in the 1920s clearly demonstrate.

Yet, while globally the US gained tremendous ground both economically and politically as a result of first world war, on the domestic front the scenario for the working class hardly changed at all. The capitalist class continued, in fact intensified, its assault against labour. The years following first world war were by far the more radical in the history of the American labour movement. Unionisation reached an all-time high, the socialist parties had hundreds of thousands of members and supporters, and socialist administrations were in power in several areas, including Berkeley, California, and Milwaukee, Wisconsin [Link et al 1987:13-18]. Over 2,660 strikes were reported in 1919, involving millions of workers from one end of the country to the other who were unwilling to accept capital's assault on their income wages [Link et al 1987:154]. That same year the country was also rocked by the 'Red Summer'¹⁰ events – the race riots that first erupted in July in Chicago and then spread into over 25 other cities – as blacks were resisting the economic and racist assault of white capitalist America. Between 1919 and 1920, the first 'Red Scare'

took place and the state engaged in an all massive effort to smash the radicalism of the American working class by arresting and deporting many thousands of labour union and socialist activists as well as organising violent attacks on strikers throughout the country [Link et al 1987: 156-58]. The working class was standing on the way of the fortune amassment of corporate and finance capital and, simply put, had to be crashed and brought to its feet.

US monopoly capitalism continued to prosper throughout the 1920s as new industrial management methods and technology were introduced that raised production to new levels. The production of automobiles experienced 255 per cent increase from 1919 to 1929, and chemical products, rubber, iron, and steel increased by an average of more than 83 per cent [Link et al 1987:168]. Accordingly, from 1923 to 1929, profits and dividends of US corporations got a boost of 62 and 65 per cent increase respectively [Link et al 1987:168]. Yet, all was not well on the US capitalist front. Agriculture entered a depression as early as the summer of 1920, a monetary recession occurred in 1921, and several thousands of banks were closed [Link et al 1987:178]. There was also a new wave of consolidation that monopolised wealth even further; thus, by 1930, the top 5 per cent of corporations were receiving 85 per cent of the entire corporation income [Link et al 1987:176]. Indeed, all throughout the 1920s, while the rich were getting richer, the overwhelming majority of Americans lived in dismal conditions. Some historians have estimated that approximately 71 per cent of American families were earning wages that were below the line of a 'decent living standard' [Link et al 1987:168].

The collapse of the stock market in October 1929, though it took capitalists by surprise, was actually forthcoming. According to Kindleberger, "business was in trouble before the crash... March was ... the peak of automobile production, which fell from 6,22,000 in that month to 416,000 in September, at the height of the stock market. The industrial production index fell after June, and the decline in industrial production, prices and personal income from August to October was at annual rates of 20, 7½ and 5 per cent" [Kindleberger 1973:117]. The agricultural sector, still quite significant in its impact on the US economy, had been in a state of depression since 1920 and "farm incomes ceased to rise after 1925..." [Kenwood and Lougheed 1992:224]. Residential and non-residential construction had been in a state of slump since the early 1920s and begun to decline after 1925 as well [Kenwood and Lugheed 1992:224]. Throughout the 1920s income inequality was growing at a tremendously rapid pace. Between 1920 and 1929 the top 5 per cent

of the population increased its share of the national income from 24 to 34 per cent [Duboff 1989:87]. The failure of thousands of banks before the crash pointed to the severe weakness of the American banking and financial system. But the ruling class is always the last to grasp the contradictions of the anarchic profit-driven system of capitalism.

In view of all the above, and given the dominant role of the US in the international economy, the causes for the Great Depression of the 1930s that followed immediately after the Wall Street collapse had, in all likelihood, much more to do with the state of the US economy than the nature of the international economy. The 'Depression' nearly forced capitalists to close shop for good as the contradictions of production and consumption in the capitalist system exploded at once and with the biggest bang in the economic history of capitalism. Industrial production fell by over 50 per cent in 1932; salaries decreased by 40 per cent; manufacturing wages declined by 60 per cent; over 2,000 banks closed involving several billion dollars; and one-fourth of the labour force was unemployed [Link et al 1987:228-30]. Between 1929 and 1933 there was a 54 per cent drop in the total national income [Chandler 1970:25]. Gross private domestic investment declined by 89 per cent [Chandler 1970:20]. During the period between 1930 and 1941 "actual GNP was nearly 25 per cent below the economy's potential [Chandler 1970:4]. Farmers suffered the most extensive damage due to the Depression as gross farm income dropped from \$ 11.9 billion in 1929 to \$ 5.3 billion in 1933 [Chandler 1970:229]. International trade and commerce also collapsed and political upheavals throughout Latin America in the 1930s threatened US hegemony in the region. Furthermore, the policies of the New Deal implemented by Roosevelt in 1934 (the National Recovery Act and the Agricultural Adjustment Act in particular), provided very little substantive relief to the economic suffering of the American masses at the time and the economy did not begin to show any signs of recovery until 1939, when the GNP regained its 1929 levels [Duboff 1989:91]. Unemployment, which peaked over 24 per cent between 1932 and 1933 [Chandler 1970:5], never fell below 19 per cent before late 1940 [Chandler 1970:91]. Thus, as at least one American historian has written, the New Deal "never demonstrated that it could achieve prosperity in peacetime" [Leuchtenburg 1963:346].

What brought the US economy out of the Depression, and what in essence saved capitalism, was the second imperialist world war. The mobilisation of the economy through military spending provided the impetus to economic growth and expansion which otherwise was missing from the

structures and mechanisms either of free market or welfare capitalism. Indeed, as Richard Barnet put it, second world war turned out to be "the greatest single American success of the century... Beyond the much-needed economic stimulation it provided, the war fulfilled an important psychological need by giving a common purpose to what in 1940 was still a country threatened with serious economic unrest [Barnet 1973:45-46].

II Era of Global Hegemony

The two global wars in the 20th century have been terribly beneficial to the US. While first world war turned the US into a major power in world affairs, second world war elevated the US to an absolute dominance of the world capitalist order. Only the US emerged from the second world war stronger than it went into the war. It was the only capitalist imperialist power with the ability to reconstruct and maintain world capitalism. The European imperialist powers, including Japan, had suffered enormous destruction and their economies lay in ruins. The situation in the Soviet Union, as the systemic adversary to international imperialism, did not fare any better. In fact, the Soviet Union had bore the major cost of the war, with some 30 million dead, scores of large cities levelled, and thousands of towns and villages smashed. A US intelligence report in 1945 surveyed the military capacity of the Soviet Union and concluded that its deficiencies were so severe that it would not be able to fight another major war for at least 15 years [Lafeber 1985:27-28]. George Kennan, in his 'long telegram' in 1946, also reported that "gauged against the western world as a whole, Soviets are still by far the weaker force" [Paterson 1984:297]. Yet such reports did not stop the US from designing and implementing a grand strategy of power projection in the name of Soviet containment. The alleged Soviet threat provided the pretext for the outburst of US imperialist aggression and domination in the post-war era, which was responsible for almost 50 years of hot and cold wars, the death of millions of people, and eventually culminated in the supremacy of western capitalism and the overthrow of socialism.

The reason the US emerged from the war as the dominant global power was aptly summarised by Gabriel Kolko: "no major powers sacrificed less of its blood and material wealth during second world war than the US" [Kolko 1968:618]. War-time production and a new long wave of technological innovation had pulled the US economy out of the depression to become the world's industrial giant by the end of the war. During the war years the US GNP grew by over 50 per cent, while that "of Europe's as a whole...had fallen by about 25 per cent"

[Kennedy 1992:368]. From 1940 to 1944, US industrial production grew at an average rate of 15 per cent per year, which was faster "than any period before or since" [Kennedy 1992:358]. From 1939 to 1945 manufacturing production increased 96 per cent, agricultural production 22 per cent, and transportation services 109 percent [Link et al 1987:340]. The US global share in manufacturing (as well as in mining) jumped from 42 per cent before the war to 62 per cent in 1946 [Itoh 1990:29]. By the end of the war the US concentrated almost two-thirds of the world's gold reserves [Kennedy 1992:358]. Indeed, as Paul Kennedy observed regarding America's economic status in the aftermath of the war, "the world was its oyster" [Kennedy 1992:358].

The end of the war also found the US with historically unparalleled military power. Its arsenal included, among others, 1,200 major warships, 2,000 heavy bombers, 1,000 B-29s, 12.5 million service personnel [Kennedy 1992:368], and an atomic monopoly that lasted until 1949.

Armed with the mightiest military power, and driven by the needs of corporate and financial capital and with anti-communism as its banner, the US imperial state proceeded to construct a global order on the principles of liberal internationalism under US hegemony. The immediate project of the new emperors was to open the world to US goods and finances and rebuild those parts of the world where access to markets and investment sites could be assured. In 1944, at the Bretton Woods Conference, the US established the International Bank for Reconstruction and Development (World Bank) and the International Monetary Fund (IMF). The purpose of these two so-called 'international' institutions, essentially instruments of power in US foreign policy, was to provide loans to war-torn European nations and promote private foreign investment (World Bank) and to secure access to global markets by reducing foreign exchange restrictions (IMF). The overarching goal of the World Bank and the IMF was to integrate nations into the system of world capitalism, and thus counter the threat of socialist development.¹¹ Essentially the Bretton Woods system rested on four pillars: (a) an 'adjustable-peg' regime; (b) a formula of subscriptions and quotas that would ensure an adequate volume of monetary reserves; (c) a 'code of action' on currency convertibility; and (d) an institutional forum for co-operation on monetary issues.¹² The US also organised the General Agreement on Trade and Tariffs to encourage free trade on US terms.

In addition, the US introduced a massive economic aid programme, the Marshall Plan, to prevent another depression and the collapse of capitalist Europe. The dilemma faced by the US after second world war was that the

European countries lacked the dollars to purchase goods for the reconstruction of their economies. This problem was referred to as the 'dollar shortage' and reflected the vast gap between US export and import values since 1945. The Marshall Plan was a way of providing dollars to the Europeans so they could buy US goods and open up their economies to US investors. The Marshall Plan served above all the interests of corporate America, which is why all the chief executive officers of US leading corporations – General Electric, General Motors, Merrill Lynch, J P Morgan, and Chase Bank – supported the programme [Barnet 1973:152].

Similar aid programmes were implemented later to the countries and regions of the third world. Between 1946 and 1979, the US disbursed \$ 235 billion in aid: \$ 134 billion for economic purposes and \$ 101 billion for military purposes. Loans constituted 33 per cent of the economic aid and 15 per cent of the military aid. Over the years, the preponderance of aid and loans went to countries that were particularly relevant to the cold war struggle with the Soviet Union. After the first decade when aid went primarily to Europe, countries in Asia such as South Vietnam, Taiwan, and South Korea were targeted for aid as were Middle East and Persian Gulf countries such as Israel, Iran, and Pakistan [US Department of Commerce 1980:867-70]. Foreign aid was (and remains) a way for the US to increase its power over other nations as well as to serve the interests of the business world by making countries dependent on American companies. Aid represents a structural relationship between the advanced capitalist world and the third world and is an integral part of imperialist exploitation.¹³ Foreign aid is a strategy pursued by the imperialist powers because it causes "structural dependence of the state on processes of private accumulation" which "encourages a form of integration into the capitalist world economy that prepares a way for penetration by international capital" [Wood 1980:6, 1986].

The combined effects of US foreign assistance programme and the pressures of the IMF and the World Bank translated into big gains for multinational corporations and banks. The value of US exports rose from \$ 10 billion in 1950 [US Department of Commerce 1951:817] to \$ 143 in 1978 [US Department of Commerce 1979]. Also, US direct foreign investment grew from \$ 13 billion in 1950 [US Department of Commerce 1952:827] to \$ 220 billion in 1980 [US Department of Commerce 1983:823]. The percentage of corporate investment in foreign operations doubled by the late 1970s over such investments in the 1950s because rates of profit were typically much higher for foreign over domestic investments [Weisskopf 1972:430].

Having prepared the ground for smooth international economic exchanges, commerce and trade, the US imperial state took immediate steps to protect its control over the world economy by embarking on a policy of militarisation and nuclearisation structured around an entangling alliance of western nations, the North Atlantic Treaty Organisation (NATO), and creating a worldwide network of military bases, diplomatic ties, intelligence operations, and propaganda activities. The commanding guide behind the militarisation of the global struggle of the US for hegemony was the Truman Doctrine. Invoked in 1947 in reaction to developments in Greece, in particular, where communist forces were engaged in a civil war against fascists and the monarchy, the Truman Doctrine declared that the US had the right to intervene in order to protect 'free' peoples from communist subversion. That the side the US chose to intervene in the Greek civil war on behalf of was collaborating during the war with the Germans, or that the communist movement in Greece had broad-based popular support among the people throughout the country, the Truman administration chose conveniently to suppress from the American public as it sought to gain support for its global militarist agenda.

The Truman Doctrine had dramatic effects both on America and the world. It created a police state, generated an anticommunist hysteria that led to McCarthyism,¹⁴ was applied to Korea, and produced countless of covert military operations and counter-revolutionary strategies throughout the third world as well as in eastern Europe. In the 1950s, it led to more military alliances and brought about sharp increases in defence expenditures: the US defence budget increased from some \$ 13 billion in 1950 to over \$ 48 billion by late 1951, a total increase of 257 per cent [Gaddis 1982:113]. Under the Eisenhower administration, the US supported Korea's army at a cost of \$ 1 billion per year and was financing 80 per cent of the costs of France's war in Vietnam [Graebner 1984:182]. When the US decided in the early 1960s to become militarily involved in Vietnam, the only war the US ever lost, and which costed the American economy between 1965 and 1971 an excess of \$ 120 billion,¹⁵ the policies were still framed in the context of the logic behind the Truman Doctrine.

Between 1945 to the end of the 1960s the US ruled the capitalist world virtually uncontested. Its military capacity, economic dominance, and worldwide network of clandestine intelligence operations left the US as the only power with the ability to dictate policies on its own terms. The US took it upon itself not only to single-handedly rebuild both Europe and Japan but also to challenge any threats to capitalism – the Soviet Union, communist movements,

nationalist regimes and national liberation movements. Superimperialism is the term to describe the political and economic configuration of the world capitalist system in the years following the end of the second world war as no other capitalist imperialist power could contest US global economic, political, and military supremacy.

Domestically, the period between 1950 and 1972 represented the 'Golden Age' in the evolution of US capitalism. With a world trying to recover from the devastation of the war, and with the discovery of the Keynesian doctrine of peacetime monetary management, the US economy experienced unprecedented levels of prosperity. Between 1947 and 1972 the GNP grew at an average of 3.7 per cent per year [Duboff 1989:111] and there was an 80 per cent increase in per capita real disposable income [Duboff 1989:93]. By 1959 agricultural output was 25 per cent higher than what it was in 1949 [US Government 1960:27]. Throughout this period the US was the leading country in per capita gross domestic product [Bowles et al 1990:463]. Nevertheless, what is most remarkable about this period is that in spite of the overwhelming edge the US had in the world economy, its economy was never free from economic recessions and unemployment. The first post-war recession between 1948-49 saw unemployment rise from a low 3.4 per cent in 1948 to over 6.0 per cent early in 1950. The unemployment rate did not fall to its 1948 level until 1953, after a few years of sharp increases in defence spending. Yet unemployment rose again to 5.8 per cent between 1953-54 due to an economic recession that lasted for 13 months. In 1958, after three years of economic expansion, unemployment climbed back up again to a high 7.5 per cent and industrial production drops 13 per cent between mid-1957-58.¹⁶

The recessions of the 1950s proved that capitalism is incapable of maintaining sustained economic growth for a prolonged period of time and that no matter how advantageous the economic circumstances are unemployment is a problem that it can never resolve. Massive military spending was the primary stimulus to the economic growth of the 1950s and the 1960s. Between 1947 and 1970, some \$ 1,100 billions were expended for military purposes [Melman 1971:3]. Numerous studies indicated, furthermore, that "once the war stimulus ended, the economy reverted to slow growth" [Duboff 1989:99].¹⁷

Finally, the period of US hegemony between 1945 and 1973 did not mean that the world had subjected itself totally to the order of Pax Americana. The Chinese Revolution in 1949 was a severe blow to the interests of global capitalism and opened up a new era in the history of international socialism. The consolidation of the socialist bloc in eastern Europe by the early 1950s

was yet another major setback in the struggle of US imperialism toward complete global expansion and conquest. During the 1960s the world saw a growing opposition to US imperialism and revolutionary ferment was spreading rapidly around the third world, with the Cuban Revolution in 1959 serving as a model for many Latin American anti-imperialist movements in particular. Further, while the US involvement in Vietnam deepened, political instability at home and opposition to the war also threatened US hegemony. The civil rights movement, the anti-war movement, and growing tensions in capital-labour relations were putting extra pressure on capitalist accumulation [Gordon et al 1987:43-57]. Indeed, by the late 1960s it was becoming apparent that the US economy was entering a crisis and that the base of its global hegemony was being eroded. Because of the high cost of the Vietnam war, signs of movement toward economic stagnation surfaced, including higher inflation and unemployment rates. Capitalist competitors were also now gaining ground on US manufacturers as West Germany, Japan, and France had rebuilt their economies and were becoming actively involved in the struggle for international markets. Finally, after the Tet offensive in 1968, the Vietnam war had clearly become a 'military sinkhole' [Ferrell 1988:358] and the obstinate resistance of the Vietnamese people showed the world that US imperialism was not indefeatable. The anti-imperialist struggle of the Vietnamese people and of all the millions of people throughout the world resisting US hegemony proved that the struggle for justice and self-determination can defeat even history's most powerful empire.

III Crisis of US Imperialism

Since 1973 the US economy has entered a major economic crisis (along with the rest of the world) of the magnitude that beset the economy from 1870 to 1890 and from 1929 to 1941. The contemporary crisis is associated with the collapse of the social structure of accumulation that was institutionalised the years following first world war [Bowles et al 1983, 1990]¹⁸ and, while the instability caused by it will not in itself bring about the collapse of the capitalist system, it has led nonetheless to the breakdown in US hegemony. The framework of the accumulation of capital after the second world war was based on the following conditions: (1) the absence of inter-imperial rivalry; (2) a long wave of industrial technological development; (3) a cheap supply of primary products (especially oil) from the third world and the Middle East; and (d) labour accommodation [Itoh 1990:27-45]. The collapse of the social structure of accumulation was brought about

by significant changes in economic conditions the resurgence of intercapitalist competition, new technologies, the shift from industrial capital to the ascendancy of financial capital, and capital-labour conflict in the late 1960s and early 1970s.

The economic decline of the US can be easily established as early as 1970. This was largely due to the emergence of the Europeans (Germany and France in particular) and the Japanese as economic competitors. Since the early 1960s the other major capitalist nations had been registering rates of productivity growth much higher than the US. While the rate of productivity growth in the US was 1.9 per cent per year between 1963 to 1973, it was 8.7 per cent for Japan, 4.6 per cent for Germany, 4.6 per cent for France, 5.4 per cent for Italy, and 3.0 per cent for Britain [US Government 1980:85]. The facts about the economic decline of the US are revealing. In 1950, the US produced 51 per cent of the world's crude petroleum; by 1970, it produced only 21 per cent. In 1950, the US produced 46 per cent of the world's steel; in 1970, only 20 per cent. In 1950, the US produced 35 per cent of the world's coal; in 1970, 26 per cent. Even the production of wheat declined from 17 per cent to 12 per cent. The US share of the world exports also declined during the same period from 17 per cent to 12 per cent [Perrucci et al 1988:15-16]. In addition, in 1950 the GDP of the US was 40 per cent more than that of France, West Germany, Italy, Japan, and England combined [Syzmanski 1975:66]. In 1972 the combined GDPs of these five capitalist nations had risen to the point that it was now almost equal to that of the US [Syzmanski 1975:66]. In 1949 the US had in its possession \$23.4 billion in gold; by 1971 it held only \$10.1 billion in gold [Marmelstein 1975:13].

With the decline in the US share of world exports, which was simultaneously accompanied by a sharp rise in imports, the US balance of payments reached a record deficit of \$30 billion in 1971 [US Government 1972:113]. In 1972 the US imported \$ 4½ billion more in goods and services than it exported [US Government 1973:115].

Reflecting changes in the world economy, which produced a disequilibrium in world payments, the US announced on August 15, 1971 the suspension of the convertibility of the dollar into gold held by foreign monetary institutions, and thereby bringing to an end the post-war international monetary arrangements established at the Bretton Woods conference in 1944. The suspension of the convertibility of the dollar into gold was announced by the US without consulting with its allies, a clear testimony to the fact that Nixon and the US foreign policy elite in general still regarded the US as the power upon which the rules of the international system depended.

The 1970s were characterised by instability, inflation, unemployment, and stagnation. Sharp declines in productivity growth were experienced by all the advanced capitalist countries. Between 1973 and 1979 the rate of productivity in the US was 0.1 per cent per year [US Government 1980:85]. During this period the rate of productivity in the leading European countries and in Japan fell on the average by half, yet it still remained higher than the US rate of productivity growth for the period 1963 to 1973. Thus, the rate of productivity of America's economic competitors was higher than that of the US both during the 10-year period between 1963 and 1973 as well as during the first six years since the eruption of the 1973 crisis.

Growth of real GNP in the OECD countries fell to zero in 1974 [US Government 1975:187]. This was partly due to the oil crisis that erupted in October 1973 and January 1974 when the Organisation of Petroleum Exporting Countries (OPEC) raised five-fold the price of crude oil over September 1973, which caused huge current account deficits in all oil-importing countries, but also due to the general slow-down in economic activity that emerged in the late 1960s [US Government 1975:188]. Immediately following the oil crisis the capitalist economies fell under the grip of 'stagflation'—an economic phenomenon that combines high levels of inflation and unemployment at the same time. Unemployment in the US reached 7.2 per cent in late 1974 and the consumer price index rose 11 per cent [US Government 1975:86,130].

While the oil crisis affected severely the entire capitalist world, it was the third world that suffered the most as most of those countries were forced to increase their borrowing from international financial institutions and private banks in order to maintain their own economic development projects and hence going even deeper into debt. OPEC assistance to the third world was minimal. The overwhelming share of OPEC profits reflowed into the credit markets and the banks of the advanced capitalist world. In 1974 \$ 11 billion out of a \$ 60 billion OPEC surplus in oil profits found themselves in the US [US Government 1975:195]. Indeed, one of the most profound developments in the world economy in the 1970s was a dramatic increase in private international banking activities, with US banks playing the leading role. In 1960, there were 8 US banks with 131 branches and \$3.5 billion in assets overseas. By 1974, there were 129 US banks with 737 branches and \$ 155 billion in assets abroad. James Hawley reported that the total assets of all US commercial banks in 1960 were \$ 255.7 billion; in 1967, they were \$ 448.9 billion; and in 1974, \$ 872 billion. Furthermore, he

estimated that while domestic assets grew by 3½ times during this period, foreign assets increased by 42 times [Hawley 1978:130].

US capital was becoming more internationalised during the 1970s than any other time since 1945. From this point on, and because of the entry of new global competitors, the US imperial state looked increasingly more toward the organisation of capital markets and the facilitation of global financial operations in general rather than industrial development around the world. The burden for this new economic global activism was to fall on the domestic economy.

As the 1970s were coming to a close, the US economy was ever tighter under the grip of stagflation as oil prices had more than doubled in 1979. In 1980 the unemployment rate was still 7.5 per cent, the inflation rate was 9 per cent, and growth in real GNP registered -0.6 per cent [US Government 1980:160]. The problem of capital flight, already a decade old, was getting worse and factories were closing down throughout the country. The US was rapidly deindustrialising [Bluestone and Harrison 1982] and converting itself in the process into a service-oriented economy, with the non-productive and financial sector of the economy gaining the upper hand over industrial capital. Concomitantly, US investments overseas continued their upward trajectory. In 1965 total US direct foreign investment (DFI) was less than \$50 billion; but in 1975 US DFI rose to \$124 billion, and in 1980 to \$213 billion [Harrison and Bluestone 1988:26].

Rates of profit from DFI grew from \$ 5.2 billion in 1965 to more than \$ 424 billion in 1980 [Harrison and Bluestone 1988:26].

In the era of the internationalisation of capital, a process of capital disinvestment in the domestic economy and capital flights to areas of the globe where the rate of profit was greater had become the operating framework of US capitalism. The outcome was huge profits for the multinationals and the banks and long-term unemployment, declining living standards, and growing poverty for the working class.

During the 1970s US imperialism was faced with many critical challenges: Vietnam, Laos, revolutionary ferment in the third world, including the call for a New International Economic Order, the seeming vibrancy of the socialist countries, and declining economic power were forcing the world's most powerful empire into the defensive. In such a climate, the US imperial state embarked on new strategies to enhance the capacity of the US to maintain control of the global political economy. The new strategy worked out in Washington in 1972 was detente a policy designed to gain co-operation from the Soviet Union on issues

of arms, economics, and international security. To attain co-operation from the Soviets, the US began to pay more attention to the Chinese. In light of the split of the Sino-Soviet bloc at the end of the 1950s and the growing hostilities that had developed between the two socialist giants, an American-Chinese rapprochement was certain to gain the attention of the Soviets. Indeed, at the 1972 Moscow summit Nixon and Brezhnev signed the Declaration of Principles, which pledged greater co-operation among the two superpowers on several key areas, including "rules of mutual non-intervention in the other power's sphere of influence and in third-area conflicts" [Brown 1983:332]. However, the policy of detente did not curb Soviet or Chinese influence in the third world, did not lead to a North Vietnamese withdrawal from South Vietnam (a central objective behind US openings to China), and did not stave off the pattern of the declining political, economic, and military power of US imperialism. As a matter of fact, US global strategic interests suffered additional blows in 1979 with the fall of the Shah in Iran, a hitherto impregnable ally of the US and a watchman over the vital oil resources in the Persian Gulf, with the coming into power of a revolutionary movement in Grenada in March, and with the success of the Sandinista movement in Nicaragua in overthrowing in July Anastasio Somoza, yet another US-backed dictator and a longtime defender of US corporate interests in Nicaragua.

In view of these defeats, the US imperial circles decided to put an end in the late 1970s to the policy of detente and renewed the cold war. Using the Soviet commitment of troops in December 1979 to save a beleaguered allied regime in Afghanistan from the reactionary forces of Islamic fundamentalism, the Carter administration increased dramatically defence expenditures, created a rapid deployment force in the Persian Gulf, established a Caribbean military headquarters, increased military assistance to countries from Pakistan to El Salvador, and ended the SALT process with the Soviet Union.

The coming to power of the Reagan administration in January 1981 only heightened the intensity of the cold war. Reagan militarised the US economy in a way that would have made proud the architects of NSC-68 back in 1950, a policy paper that called for commitment of 20 per cent of the GNP to defence spending in order to maintain US globalism and contain Soviet communism. Demonising the Soviet Union by labelling it 'the evil empire', and proclaiming that the empire had 'surrogates' around the world that engaged in terrorism (Libya, Cuba, Nicaragua, and the Palestine Liberation Movement), Reagan and his henchmen engaged in an all out war against socialist and progressive governments and

movements. Through military support of counter-revolutionary movements such as the Contras in Nicaragua, Unita in Angola, and the Islamic fundamentalists in Afghanistan, US imperialism was able to inflict catastrophic damage to socialist economies in the third world and directly assist in the killings of millions of people. Through clandestine operations and financial assistance to pro-western capitalist elements, US imperialism was also able in the 1980s to destabilise eastern European socialist economies and assist in their collapse.

US imperialism in the 1980s marked the return of outright militarism, pathological anti-communism¹⁹ and fervent Americanism combined with massive assaults on the working class and its institutions on behalf of corporate and finance capital. Internationally, the 1980s represented US imperialism's desperate but determined struggles to refashion a global empire: invasions in Lebanon, Grenada, Panama and the bombings of Libya were the highlights of the brutality of US imperialism. Domestically, the 1980s were a decade of financial speculation, corporate mergers and takeovers, record breaking defence spending and huge deficits, economic displacement, poverty and polarisation.

Given the need to respond militarily to challenges to US imperialism throughout the world and to stimulate the battered US economy, US defence outlays more than doubled during the 1980s, "from \$134 billion in 1980 to almost \$300 billion in 1988" [Hanson 1993:158]. This represented the biggest increase in defence spending since the second world war, with the total for the period approaching \$2 trillion [Centre for Defence Information 1987b:1-3]. Nuclear fighting alone accounted for 22 per cent of military spending between 1981 and 1987 [Centre for Defence Information 1987a:2]. Nuclear weapons research rose from \$3.2 billion to \$10 billion [Centre for Defence Information 1987a:3]. Military aid also experienced dramatic increases during the 1980s: it "more than doubled each year, from \$2.1 billion to \$4.8 billion [Hanson 1993:126].

In light of the declining influence of US imperialism, economic aid went through a radical shift from loans to grants. Jim Hanson reported that while in 1970 US economic aid was \$1.4 billion in loans and \$2.3 billion in grants, by 1989 economic aid consisted of only \$694 million in loans and \$9.2 billion in grants" [Hanson 1993:135]. He correctly observed that "the shift to outright grants to the less developed countries indicated the increasing imperial concern over the economic and political stability of American dominions and peripheries" [Hanson 1993:135].

Reaganism left a haunted legacy behind it and it proved that unregulated capitalism

'free markets' is even more bankrupt than Keynesianism in dealing with the problems of contemporary US economy. In the course of only four years Reagan's policies converted the US from being the world's largest creditor nation to the world's largest debtor nation. The last time the US was a debtor nation was back in 1914. The deficit in US merchandise trade balance went up from \$25 billion in 1980 to \$160 billion in 1987 [Husted 1991:205]. From a surplus in his technology products of \$25.5 billion in 1983, negative numbers were recorded less than a year later [Merrill 1985:45], and by 1986 the US ran a \$2.6 billion deficit for the first time in high technology trade [US Government 1989:236]. As further indication of the decline in the competitiveness of the US economy under the Reagan administration, the US share of US-issued patents dropped from 73 per cent in 1970 to 52 per cent in 1987 as Japanese inventors increased their share of patents received five-fold [US Government 1989:229].

What went 'right' for the US economy during the 1980s were foreign investments. By the end of the 1980s US foreign assets more than doubled the amount of assets owned at the beginning of the 1980s [Hanson 1993:145]. Nevertheless, foreign investments in the US exceeded US investments overseas by \$2 trillion [Hanson 1993:145]. This development in the international financial relations of the US also represents a reversal to the conditions in 1914, causing many to decry the "selling off America" [Omestad 1995:191-202].

Reagan's policies mortgaged the economic future of the American people for a long time to come. While the federal debt in 1980 was \$908 billion, by the end of Reagan's second term it had risen to \$2.8 trillion. Debt skyrocketed during the 1980s at all levels of American society as another method of Reaganomics to gain recovery of the economy was through consumption spending. In this respect the "net national saving rate in 1989 was less than 2 per cent, the lowest since the 1930s" [Wilber and Jameson 1990:107].

The attack of the Reagan administration's spite on the working class was massive and unprecedented in post-war America. Real wages in the US, which had become stagnated since the early 1970s, fell in absolute terms throughout the 1980s [Cohen 1993:120] as labour was forced (under trade union leadership that had long ago become junior partners to capital and big business) to accept the logic of 'restructuring' and threatened with lay-offs if cuts in salaries, pensions, and benefits were not forthcoming. Cuts in social programmes took place across the board and ketchup was classified as a vegetable in public schools [Collins 1995]. With deindustrialisation in full swing and capital flight running rampant in pursuit of higher rates of profit overseas, traditional high-

paying blue collar jobs were rapidly disappearing and replaced in turn with low-wage/no benefits service oriented jobs [Loveman and Tilly 1988: 46-65]. Some 60 per cent of all new jobs that were created between the late 1970s and the mid-1980s paid less than \$ 7,000 a year [Laxer 1989:5]. Moreover, the rather paradoxical situation of fewer jobs and longer working hours became a standard feature of the US economy in the 1980s as capital was seeking to extract as much surplus out of existing labour power as possible since new hiring meant extra costs in benefits and pensions. Not surprisingly, poverty and crime reached a new plateau in the 1980s and the number of homeless people in 1987 was estimated to have swollen to three million [Wilber and Jameson 1990:113]. Finally, under Reagan's economic policies the middle class dwindled but "the total wages of all millionaires shot up 243 per cent a year" [Barlett and Steele 1992:4].

The 1980s were the best of times for corporate and finance capital, even though the 1990s under Clinton are shaping up to be even more prosperous. Through vicious assaults on salaried workers and middle class wage earners, huge tax breaks for the rich and the corporations, and outright theft, owners of US corporations were able to realise between 1982 and 1986 "an increase of 92 per cent in profits *before taxes*" and an ever greater rate of profit of 118 per cent 'after-taxes' [Harrison and Bluestone 1988:110]. Indicative of the accumulation of wealth into fewer hands, mergers increased by a wobbly 80 per cent between 1980 and 1986, with megamergers (those over \$ 1 billion in value) being the rule rather than the exception [Leveson 1991:29]. Deregulation, which was supported with even greater fervour than Ronald Reagan himself by liberal democrats such as senator Edward Kennedy from Massachusetts, offered tremendous gains to monopoly capital as competition simply caused the evaporation of small business (in the tracking industry, for example) and allowed capitalist predators to rip the public from billions of dollars. Deregulation caused the largest ripoff in the history of US banking with the collapse of the Savings and Loans industry, which is estimated to cost US taxpayers something between \$ 500 billion and \$ 1 trillion [Long 1993].

The Reagan policies, as well as those of George Bush and Bill Clinton in the early and mid-1990s respectively, can only be understood in the context of the specific economic trends and class developments taking place in the US and the global economy since at least the late 1970s. The essence of the new economic framework revolves around the non-productive, speculative, and financial component of capital: "by the end of 1988 the net capital stock of financial, real

estate, and insurance firms was larger than that of all manufacturing industries combined" [Monthly Review, June 1990]. Indeed, by 1988, speculator capitalists replaced industrial and petroleum capitalists as the most dominant faction in the US ruling class [Petras and Davenport 1990:36]. The base of operations of this class are the stock markets, the international currency markets, investments and pension funds. The global market is their home field. In this context the Gulf war of 1991 was just as much part of an effort on the part of the US imperial state to maintain the status quo as it was over oil production and concerns with disruptions of international capital markets.²⁰

The "financial economy" is the top priority of US policy-makers in the current stage of the internationalisation or transnationalisation of capital. The expansion of US global power is driven by the aim to promote and protect financial markets. The domestic economy has become a means of extracting the necessary resources to finance the global operations of capital. The elimination of high-paying industrial jobs, cuts in wages, social programmes and benefits provide the resources through which the US imperial state supports the operations of finance capital overseas. The US economy is thus shaping up as a two-tiered economy: a wealthy elite and derives its gains and benefits from the global economy and a labouring population that works at the minimum wage to support the international drive of capital. In today's economic environment the difference in the American political system between democrats and republicans is over which side can best accommodate the interests of corporate and financial capital. The ease with which Clinton backed away from his electoral promises to cut defence spending, invest \$ 20 billion a year over four years for 'rebuilding America', and spend money on programmes that would directly create jobs speaks directly to whose interests he represents. Clinton was backed in the 1993 elections by the largest US corporations over George Bush. As president, he is now repaying his debts to the masters of capital.

IV Conclusion

It has become very common in the last few years, with all the talk about 'globalisation', to treat imperialism as a movement built around international co-operation and unity and therefore to detach from it the contradictions, problems, and sharp antagonisms built into the system as a whole or the effects associated with the political economy of imperialism in general [Steven 1994:271-96]. The current status of US imperialism, however, goes entirely against such a mode of discourse as its decay as well

as its continuing efforts for global supremacy is a direct expression of the economic rivalry among the major imperial powers for overseas expansion. The new global economic framework that has come into the world stage constitutes a break with the past only insofar as there has been relatively little opposition to it than it has been the case in the past. There are no indications of a 'global state' [Glyn and Sutcliffe 1992:93] (the UN has in fact been converted into an arm of US foreign policy) but only the reality of global exploitation. In the context, therefore, of an ever present anarchic state system driven by different organisational units, and where the logic of capital accumulation reigns supreme, competitive struggles among transnational capital, and conflict and discord among imperial states will always prevail over systematic co-operation.

In the mid-1990s, US global influence is of course still quite pervasive and will continue to be so for some time to come. US imperialism holds preponderant military power and dictates economic life in many regions of the third world and has expanded power recently in eastern Europe. It has also temporarily neutralised the ideological and political influence of socialism, forced a retreat on third world nationalism, and has strengthened its cultural grip on the world in a variety of disturbing ways. Cultural hegemony can go a long way toward paralysing political and social change. When the images of Hollywood or the sounds of hard rock and rap and 'hip-hop' music serve as the 'cultural' stimulation of the youth around the world, the force of US imperialism is alive and kicking.

At the heart of these developments, I believe, are the disintegration of the USSR, the retrenchment of the Left, the weakening of trade unions, depoliticisation at the grass roots level, and a sense of disempowerment owing largely to the structural changes in the workplace and a whole series of other seemingly amorphous and impersonal economic trends put out by the new wave of globalisation. It is these transformation that define the new stage of the global political economy and enhance the position of US imperialism. In failing to recognise this, that political and social action (or the lack of it) is the determinant agent in recent economic developments, we fail to recognise the possibilities for revolutionary action. There is a huge gap today between the military and political power of the US and its capacity to support those forms of power economically. The US economy has grown more and more impoverished over the last 20 years or so as its domestic resources are being plundered to finance global expansion. To maintain the empire today costs \$ 1 trillion annually. And all this while the US society collapses under the oppressive weight of long-term unemployment, declining living standards,

sharpened economic polarisation, poverty, racism, deteriorating infrastructure, pathetic educational systems and so on. While US imperialism flexes its military muscle abroad and expands the interests of corporate and finance capital, 20 per cent of children and 45 per cent of black children in America live in poverty [US Government 1992:150]; the nation ranks almost dead last in maths and science skills among 15 industrialised countries [*Business Week*, August 15, 1994]; and Japanese investors are financing one-third of the US government budget deficit [Hanson 1993:145].

In many ways the US is beginning to resemble what the former Soviet Union had become by the late 1970s – a 'paper tiger'. The current state of the political economy of US imperialism is such that there is a geometric correlation between Gulf war military campaigns and Los Angeles-type of riots. It may very well be the case that the duped eastern Europeans believe still that the US will come to the rescue of their economies. But it is for the first time perhaps in modern US history that the new generation of Americans is identifying the US not by its successes but rather by its failures. The challenges now for the Left is to turn that disenchantment into political action.

Notes

- 1 This is the title of a recent book by Samir Amin, *Empire of Chaos* (1992).
- 2 Charts comparing US productivity growth with other G-7 nations can be found in Cohen (1993).
- 3 The 'new imperialist order', which may be labelled as multilateral imperialism, requires that the different imperialisms work together at times to support the whole structure of the world imperialist system and to enforce discipline among the peripheral nations, especially on those seeking to upset in any form or shape the existing framework of order. However, the different imperialisms are first and foremost competing against each other to dominate and monopolise ever larger portions of the world market. Thus, discord and conflict rather than co-operation are certain to characterise in the end future state and regional relations.
- 4 Advocates of this mode of reasoning and analysis are, among others, Gill and Law (1989), Kees van der Pijl (1984) and John Willoughby (1991).
- 5 While rather cautious in the way they interpret the implications of a leaderless world economy, Glyn and Sutcliffe (1992) also reach the same conclusion.
- 6 The concept of the imperial state was originally introduced by Peffras and Morley (1980, 1989) in the effort to understand not only the economic but also the political dimensions of imperialism. A good discussion pertaining to the formation of the capitalist state and its international connection can also be found in Picciotto (1990).
- 7 The classic Marxist work on imperialism is that of V I Lenin. First published in 1917, this work provided 'a composite picture of the world capitalist system in its international relationship at the beginning of the 20th

century – on the eve of the first world imperialist war" (1975:3).

- 8 The connection between business and political elites in the so-called 'progressive' era is spelled out, in a rather controversial analysis about the economic developments in the US during the first 15 years of the 20th century, by Kolko (1963).
- 9 This point is well noted in Graebner (1984), an otherwise typical bourgeois analysis of US foreign policy where capitalism and imperialism receive not even a single entry in the index.
- 10 This is a title used by James Weldon Johnson, a black poet and leader, to describe the 1919 race riots and is quoted in the work of Franklin and Moss, Jr (1994).
- 11 For outstanding treatments of the role of the IMF and the World Bank, see the works of Payer (1974, 1982). Also see, Danaher (1994).
- 12 For a brief discussion of the origins and goals of the Bretton Woods system, see Cohen (1995).
- 13 One of the best analyses of aid as a means of imperialist exploitation remains that of Pierre Jalee (1968).
- 14 For an excellent account on McCarthyism and its effects on American society and the world, Griffith (1988).
- 15 For analyses of the total cost of the Vietnam war on the American economy, see McCarthy (1971) and Clayton (1971).
- 16 Data for unemployment rates during the economic recessions of the 1950s are derived from the economic chronology found in Mermelstein (1975).
- 17 Duboff's own analysis establishes a clear connection between military spending and economic growth (pp 95-101). Another study showing the same correlation, and cited by Duboff, is that of Vatter (1963).
- 18 For a general survey and critique of the theory of the social structure of accumulation, see Kotz (1990). Within the Marxist tradition there are contending theories of capitalist crises. Ernest Mandel's (1975) was the first work to provide a detailed insight into the contemporary crisis of capitalism through a revised version of the long cycles theory and remains still a powerful explanatory analysis in what I believe was, when first published, a work ahead of its time.
- 19 I do not mean to portray anti-communism as a form of paranoia; anti-communism is a political weapon that works on people's fears. See, for example, the studies in Joel and Erickson (1987).
- 20 A collection of essays covering the multiplicity of issues and interests involved around the Gulf war is gathered in Peters (1992).

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