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Capitalist Development and Crisis Theory: Accumulation, Regulation and Spatial Restructuring

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To the memory of Gregory Garwick and Thora
Paulson — M.G.
To Elena and Alexandros — N.K.

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5 The Uncoupling of the World Order: A Survey of Global Crisis Theories

John Bellamy Foster

In every discussion of the current global crisis one single fact eclipses all others – the demise of undisputed US hegemony within the world hierarchy of nation states. Despite differing political persuasions, there seems to be widespread agreement among social scientists that it is only in this context that the chief threats of our time — namely, the spread of stagnation, the emerging currency and trade wars, the heightened conflict between centre and periphery, the international debt crisis, and the drift toward world war — can be properly understood and surmounted.

For liberal analysts of the global crisis what is known as the 'theory of hegemonic stability' has become the central focus of discussion and debate in this area. The problem is therefore narrowly defined as one of restoring stability to international relationships in the wake of declining American hegemony.

For radicals, in contrast, the dialogue on the causes and consequences of US hegemony is subordinated to the wider problem posed by a theory of imperial instability, or the uneven development of capitalism on a world scale.

The present paper will attempt to provide a critical rendition of prevailing mainstream views, demonstrating the importance of current insights into the rise and fall of hegemonic orders, as well as the contradictions that arise within this dominant discourse as a result of its self-limiting, non-critical outlook, and its lack of historical specificity. This will be followed by a reasoned scrutiny of radical perspectives, which, although seldom limited in critical range, often seem to lose sight of the concrete, conjunctural features of a crisis in which the fate of humanity still hangs on a thread, while dealing with such all-embracing global trends as 'the internationalisation of capital'. Throughout this inquiry it will be suggested that it is the downfall of US hegemony which constitutes the immediate terrain of struggle, that is the conjunctural crisis in which the deeper and wider structural or 'organic' crisis of imperialism is being 'worked out'. Such a perspective allows us to focus on current ruling class strategies for staving off disaster, and on the evolving counter-responses from below, while not losing sight of the root contradictions threatening to transform the entire regime of capital beyond its knowledge or control.

THE THEORY OF HEGEMONIC STABILITY

Most work on the deepening global crisis of capitalism emanating from within the mainstream liberal tradition has come to rest on what the international relations theorist, Robert Keohane has labelled 'the theory of hegemonic stability', or the notion that 'order [in the international sphere] ... depends on the preponderance of a single state' (Keohane 1984, p. 12). The idea itself has a long history within the age-old tradition of political realism in international politics, and obtained renewed importance in the period between the two World Wars. As E. H. Carr observed in *The Twenty Years' Crisis* (1939), 'The mirage of the post-[World] War [I] years was, as we now know, the belated reflexion of a century past beyond recall – the golden age of continuously expanding territories and markets, of a world policed by the self-assured and not too onerous British hegemony ... ' (Carr 1939, p. 287). Indeed, the actual instability of the inter-war years, according to Carr, was due in large part to the failure of the US to assume the leadership role that waning British power had left vacant: 'In 1918 world leadership was offered, by almost unanimous consent, to the United States ... [and] was declined ... ' (Carr 1939, p. 300; Kindleberger 1986, p. 296). Moreover, the best prospects for peace and stability after World War II had ended, Carr argued in 1939, still rested on the development of a 'Pax Americana'. Following in Carr's footsteps, later thinkers such as economist Charles Kindleberger and political scientists Robert Gilpin and Robert Keohane have (in the wake of declining US power) constructed a more systematic 'theory of hegemonic instability', designed to account for the rise and fall of international regimes.

Kindleberger's book, *The World in Depression, 1929–1939*, which first appeared in 1973, is often thought of, by mainstream international political economists, as the initial work that opened the way to the contemporary theory of hegemonic stability. In this study Kindleberger argued that the Great Depression of the 1930s, which afflicted the entire advanced capitalist world, had its roots in the fact that Britain was unable and the United States unwilling to assume the leadership role necessary for the stabilisation of international trade and monetary relations. More specifically, the US failed to assume responsibility for fulfilling five key functions: '(1) maintaining a relatively open market for distress goods; (2) providing a counter-cyclical, or at least stable, long-term lending; (3) policing a relatively stable system of exchange rates; (4) ensuring the co-ordination of macro-economic policies; (5) acting as a lender of last resort by discounting or otherwise providing liquidity in financial crisis.' (Kindleberger 1987, p. 289). It was the failure to fulfill these functions, he contends, that made the Great Depression so deep, long and wide.

Moreover, it is here that lessons can presumably be learned about the present and future, given current threats to global stability. Responsible leadership with respect to the above functions in the 1980s and 1990s, Kindleberger argues, might conceivably be provided by the US, by Europe or Japan, or even by international institutions to which some part of the economic sovereignty of nation states would be ceded. In contrast, the failure to stabilise the world economy through such responsible leadership would be reflected in one of the following possible outcomes: a struggle for hegemony by the US, Japan and the EEC; a situation, analogous to 1929 and 1933, in which one power is no longer able to lead and another power is unwilling to do so; or a stalemate in which each of a number of powers retains veto power over constructive actions by others. Each of the conceivable stable solutions is to be preferred over the possible unstable ones, since the failure to fulfill the functions of global leadership could lead to a catastrophic situation of the kind not seen since the Great Depression itself (Kindleberger 1986, pp. 304–05).

What made Kindleberger's analysis so significant was that it appeared at the time of waning US hegemony and increasing international economic fragility. The weakening of the gold–dollar standard that had been put in place by the Bretton Woods agreement at the close of World War II – a problem that had been building up since the late 1950s as a result of a growing US balance of payments deficit and a rise in foreign dollar holdings – reached absolute crisis proportions in 1971 with the appearance for the first time of an actual trade imbalance and a deficit in the private (in addition to government) sector of the balance of payments accounts. Between 1970 and 1971 the private sector (goods and services, investment and investment income, and tourism) experienced a drop from a surplus of $1.9 billion in the basic balance of payments accounts to a deficit of $3.5 billion, which, when coupled with the government sector deficit of $6.2 billion, resulted in a total balance of payments deficit in 1971 of $9.6 billion (International Economic Policy Association 1972, p. 8; Magdoff and Sweezy 1972, pp. 4–5). It was this situation, and the growing demand for gold in exchange for dollars, which led to Nixon's abandonment of the gold-dollar standard and its replacement in 1971 by what Robert Triffin was to call the 'paper-dollar standard', marking the end of undisputed US hegemony in the world economy (Strange 1986, p. 41).

Although it was the emergence of an actual trade imbalance along with a run on the US gold stock that drove home the point that US hegemony was rapidly fading, the chief source of balance of payments difficulties at this stage – and the real reason that it was necessary to delink the dollar from gold, resulting in the collapse of the international monetary system established at Bretton Woods – was to be found in the vast expenditures of the US government on the costs of overseas empire. As the International Economic Policy Association (or IEPA – a private advisory group financed and staffed by major corporations) declared in its 1972 study of the US balance of payments,

> Throughout the 1960s and into the 1970s government activities abroad produced deficits on the basic balance which swallowed up surpluses earned by the private sector. The government deficit averaged $3.5 billion for 1960 to 1964, and crept up to an average of $4.2 billion from 1965 to 1968, as the Vietnam escalation boosted military expenditures abroad. In 1969, the total government account deficit was $4.4 billion, in 1970, $5.3 billion, and in 1971, $6.2 billion. ... Military expenditures abroad have been the major contributor to the persistent government account deficits. ... The gross outflow on military accounts rose steadily from 1960 through 1970. It averaged $3 billion from 1960 to 1964, $3.9 billion from 1965 to 1968, and $4.9 billion in 1969 and 1970. ... The Vietnam War, of course, was the major cause [International Economic Policy Association 1972, p. 13].

Nevertheless, these hard facts behind the deficit were not sufficient to get the controlling interests in the US to back away from the 'absolutely essential' costs of empire. As the IEPA stated in its

conclusion: 'The US government should continue to exercise the maximum feasible curtailment of all expenditures affecting the US balance of payments which are not absolutely essential for political, military or economic purposes' (International Economic Policy Association 1972, p. 88).

What such statements by corporate interests made clear was that the basic purposes and capabilities of US military activities abroad were not to be questioned; rather the object was to minimise waste while continuing to promote the global designs of the US state (Magdoff and Sweezy 1972, pp. 6–7). The reason was that there was a commonality of interest between the major multinational corporations and the government. Henry Fowler, then US Secretary of the Treasury, stated the following in 1965:

> Indeed, while it is most difficult to quantify, it is also impossible to over-estimate the extent to which the efforts and opportunities for American firms abroad depend upon the vast presence and influence and prestige that America holds in the world. It is impossible to over-estimate the extent to which private American ventures overseas benefit from our commitments, tangible and intangible, to furnish economic assistance to those in need and to defend the frontiers of freedom ... in fact if we were to contemplate abandoning those frontiers and withdrawing our assistance ... I wonder not whether the opportunities for private American enterprise would wither — I wonder only how long it would take [quoted in Robinson 1973, p. 405].

Since the trade balance was deteriorating and a large surplus in this area was no longer to be expected even on the most optimistic assumptions (given the recovery of Western Europe and Japan from the devastation inflicted during World War II), and since, moreover, the costs of empire were virtually untouchable (given that the main beneficiaries were the US corporations themselves), the chief hope for a solution to balance of payment difficulties came to rest on the favourable effects of foreign direct investments. As the IEPA report noted:

> In terms of the balance of payments, US direct investment has been consistently helpful, as income and royalties accruing to the United States from branches, affiliates, and subsidiaries have grown from $2.9 billion in 1960 to $9.3 billion in 1970, far outstripping capital

flows. The net balance-of-payments contribution of direct foreign investment averaged $1.9 billion from 1960 to 1964, and rose to an average of $2.4 billion from 1965 to 1968. It reached $4.1 billion in 1969, dropped to $3.5 billion in 1970, and peaked again at $4.7 billion in 1971. Thus, in recent years, investment has made the major favourable contribution to the private sector of the balance of payments [International Economic Policy Association 1972, p. 35].

Even more importantly, the IEPA went on to explain that:

> Estimates of the payback period, that is, the time in which a given investment pays for itself in balance-of-payments terms, vary widely. It would appear that ten years is a reasonable estimate for most well-managed operations; and on that basis, a strong case can be made for removing present direct investment controls so as to maximise future returns. America's income from foreign investments could be in the $15 billion range by the end of the decade. If that objective can be accomplished, these earnings will have played a major role in restoring stability to America's balance of payments; and, of course, once they have been 'paid for', the ongoing earnings are a major plus, with no off-setting liabilities [International Economic Policy Association 1972, pp. 39–40].

In essence, US strategy in the early 1970s involved relying on a combination of controlled devaluations of the currency and the promotion of foreign direct investment to solve the balance of payments difficulties. While the dollar devaluation was meant to close the trade deficit, the depreciation was never intended to be so great as to close the larger payments deficit resulting from government expenditures on military and other related commitments abroad; since a depreciation of this magnitude would have endangered the reserve currency status of the dollar and destabilised the entire international economic order. Instead, it was hoped that the return capital flow resulting from the outward expansion of the multi-national corporations – who after all were the main beneficiaries of the costs of empire – would close the payments deficit (or at least keep it within supportable bounds).

Ironically, even while such policy conclusions were being developed (partly at the instigation of corporate sponsored think tanks such as the IEPA), there was already plenty of evidence to suggest, as liberal

theorist Robert Gilpin persuasively argued in *US Power and the Multi-national Corporation* (1975), that the giant, North American-based transnational firms were on balance by the 1970s mainly a force for the decline of US power in the world economy, not its preservation. 'Faced with a deteriorating balance-of-payments position', he noted, 'the United States government began to regard the multi-national corporations and their growing overseas earnings as the means to finance America's hegemonic world position' (Gilpin 1975, p. 156). But there was a catch to this dependence on multi-nationals to resolve the contradictions in the balance of payments: although these corporations tended to bring in capital in the short-run, the long-run effect was to weaken US competitiveness. 'In simplest terms, what the United States has been doing' (by promoting foreign direct investment) Gilpin wrote,

> is exporting or trading away its comparative advantages (technology, technical know-how, and management) and potential productivity gains in exchange for future foreign earnings. Insofar as the United States continues to move in this direction, it is converting itself into the type of *rentier* economy, that is, one which lives off investment income, that Great Britain became in the latter part of the 19th century [Gilpin 1975, p. 198].

In short, the US economy was following a path of hegemonic decline analogous to the one that Britain had proceeded down in the final decades of the 19th and the opening decades of the 20th centuries. 'As Murray Kemp has demonstrated, and as this study has argued with respect to Great Britain in the 19th century,' Gilpin wrote:

> there is a tendency for capital-rich countries to export too much capital and thereby weaken their own industrial base. ... Through the export of capital, technology, and managerial skills, the United States has strengthened its industrial competitors. Although this transfer of resources has been accomplished, except in Japan, by the extension of American control over important sectors of the foreign economy, this does not alter the fundamental fact that a shift in the locus of industrial power has been facilitated. For the sake of a long-term favourable balance of payments and the maintenance of a world market position, the United States economy has paid a price, in terms of real resources and productive capacity [Gilpin 1975, pp. 188–89].

Indeed, Gilpin followed Charles Kindleberger in arguing that the US economy was undergoing a fundamental 'climacteric' like the one that Britain had undergone after 1870, the main attribute of which was a 'crossover' in the role of overseas investment. As he put it, 'There is sufficient evidence to suggest that sometime in the 1950s or early 1960s American foreign direct investment became decreasingly a sign of industrial strength and increasingly one of relative industrial decline' (Gilpin 1975, p. 189). Under these circumstances, the only rational national strategy, he went on to suggest, would be to place greater emphasis on both internal investment and technological research and development, so that the US economy could retain its comparative advantages while maximising US value added.

In *War and Change in World Politics* (1981), Gilpin provided a more general, trans-historical analysis of hegemonic decline as part of an attempt to construct a universal theory of international political change from Thucydides to the present. Here he advanced the thesis that: 'Once an equilibrium between the costs and benefits of further change and expansion [for a hegemonic power] is reached [marking the end of its expansionary phase], the tendency is for the economic costs of maintaining the status quo to rise faster than the economic capacity to support the status quo' (Gilpin 1981, p. 156). According to this argument, each hegemonic power eventually runs up against the presumed universal 'law of diminishing returns', hindering its ability to generate the economic surplus necessary for political domination:

> In the absence of new spurts of innovation or a borrowing of technology from abroad, the growth of the wealth and power of a society begins to slow, describing an S-shaped curve. The society undergoes an economic climacteric as did Great Britain in the latter part of the 19th century, and many believe the United States is experiencing the same thing in the contemporary world [Gilpin 1981, p. 160].

Moreover, this problem of diminishing returns, on what economists call the 'supply-side', goes hand in hand with a growth in the share of total expenditures directed at non-productive consumption such as welfare and 'protection' (or warfare) on the 'demand side' of the economy. The dominant power in the world economy thus finds itself caught in a trap of providing 'international public goods' (imperial defence) that benefit the 'free riders' among its allies more than they do the hegemonic power itself, while simultaneously supporting growing consumption and moral decay at home. 'The divergence between costs and resources in turn produces a "fiscal crisis" for the dominant power or powers. The consequence of continuing disequilibrium and of the financial drain it entails if it is not resolved is the eventual economic and political demise of the dominant power' (Gilpin 1981, p. 157). Furthermore, the entire process – which, Gilpin believes, has the inevitability of a natural law – can be speeded up by technological diffusion. Hence, he suggests that, 'The greater longevity of the Pax Britannica relative to the Pax Americana is explained in part by the rapidity with which America's technological advantages were diffused to its economic and military competitors' as a result of foreign direct investment.

This theory of hegemonic stability, associated with the work of Gilpin in particular, can be reduced, as Robert Keohane has contended in *After Hegemony: Co-operation and Discord in the World Political Economy* (1984), to 'two central propositions': firstly 'that order in world politics is typically created by a single dominant power', and secondly 'that the maintenance of order requires continued hegemony' (Keohane 1984, p. 31). In the words of Charles Kindleberger, 'for the world economy to be stabilised, there has to be a stabiliser, one stabiliser' (Kindleberger 1986, p. 304). However, while it is clear that the rise of a hegemonic power often facilitates the creation of a set of relatively stable 'international regimes' — or global 'principles, norms, rules and decision-making procedures around which actor expectations converge in a given issue-area' (Stephen Krasner, quoted in Kindleberger 1986: p. 289n) — there is little reason to suppose 'that hegemony is either a necessary or sufficient condition for the emergence of cooperative relationships'. Nor is there any reason to believe, Keohane adds, that co-operative international regimes cannot persist after the conditions of hegemonic dominance have passed away (Keohane 1984, pp. 31–32).

In Keohane's view, the 'crude theory of hegemonic stability' represented by an analyst like Gilpin is a 'basic force theory', according to which outcomes are determined by the tangible resources of power (particularly economic and military) available to contending actors. Hence, this crude theory defines hegemony as a mere 'preponderance of material resources. Four sets of resources are especially important. Hegemonic powers must have control over raw materials, control over sources of capital, control over markets, and competitive advantages in the production of highly valued goods' (Keohane 1984, pp. 32, 34).

Although capturing a large portion of the truth, this type of 'basic force theory', Keohane contends, 'makes imperfect predictions. In the 20th century it correctly anticipates the relative co-operativeness of the 20 years after World War II. It is at least partially mistaken, however, about trends of co-operation when hegemony erodes. Between 1900 and 1913', he rather incautiously suggests, 'a decline in British power coincided with a decrease rather than an increase in conflict over commercial issues.' Be that as it may, it is essential to recognise that hegemony is not simply a question of power but also of leadership. As Carr (and many others) had pointed out, it was the failure of the US to assume the leadership role that its ascendancy as a world power 'rightly' gave it in the inter-war period, which accounted in large part for the breakdown in the international order that followed. Thus, for Keohane, hegemony is more properly defined as 'a situation in which "one state is powerful enough to maintain the essential rules governing interstate relations, and willing to do so"' (Keohane 1984, pp. 34–35; Keohane and Nye 1977, p. 44).

The world-historical significance of these objections to the crude theory of hegemonic stability only become apparent when one recognises that for Keohane – as the title to his book indicates – US hegemony has indeed faded, while the question of the rise of another hegemon to take its place is to some extent 'unthinkable', since it raises the issue of global holocaust. In his own words,

> Hegemonic leadership is unlikely to be revived in this century for the United States or any other country. Hegemonic powers have historically only emerged after World Wars; during peacetime, weaker countries have tended to gain on the hegemon rather than vice versa. It is difficult to believe that world civilization, much less a complex international economy, would survive such a war in the nuclear age. Certainly no prosperous hegemonic power is likely to emerge from such a cataclysm. As long as a world political economy persists, therefore, its central political dilemma will be how to organise co-operation without hegemony (Keohane 1984, pp. 10–11).

What are the actual chances of co-operation continuing 'after hegemony'? For Keohane the answer has to do with the durability of the international regimes constructed during the period of hegemonic domination. If these can be modified as the need arises and made to last, and if new regimes can be created even 'after hegemony', it is

conceivable that peace can persist. After studying the weakening of the trade and monetary regimes represented, respectively, by the General Agreement on Tariffs and Trade (GATT) and the Bretton Woods monetary order, Keohane argues that the partial or wholesale breakdown of these institutional relationships has nonetheless not prevented considerable continuity in co-operation. With respect to GATT it is argued that the rules governing the regime are becoming tighter even as worldwide protectionist tendencies increase, holding out the hope that the growing crisis will lead to even greater co-operation and stability (Keohane 1984, p. 190). While the demise of the international monetary regime has partly disguised the fact that although 'international monetary co-operation in the early 1980s is certainly less institutionalised than it once was, and the rules are less clear ... the degree of discord is probably no greater than it was in the years between 1968 and 1971 ... ' (Keohane 1984, p. 187).

However, such wishful thinking, which perceives the dangers of the current international situation, and yet in the end only seems to close off the mind to any contemplation of the unthinkable, is unlikely to help preserve the world from the catastrophe that it fears. Indeed, the historical implications of Keohane's stance are best understood, as he himself makes clear, when placed in the context of the classical Marxist debate between Lenin and Kautsky about 'ultra-imperialism' (Keohane 1984, p. 43). While Kautsky, shortly before the outbreak of World War I (and again in 1915 and after the War had commenced), advanced the idea that ultra-imperialism, or the co-operative exploitation of the rest of the world by the leading capitalist states, was a distinct possibility in the near future, Lenin, writing in 1916, argued, against this view, that inter-imperialist war between the major capitalist powers was a characteristic feature of the monopoly stage of capitalism (Kautsky 1970; Lenin 1916). True to his own beliefs, Keohane – who in the lexicon of international relations theory sides with the 'institutionalist' perspective (those who believe that institutions can be designed to promote genuine co-operation between states of roughly equal power) rather than the 'realist' view (those who interpret diplomacy as war by other means) – goes on to suggest that it was Kautsky rather than Lenin who had the most accurate understanding of international relations. 'The successful operation of American hegemony for over a quarter-century after the end of World War II', Keohane writes, 'supports Kautsky's forecast that ultra-imperialism could be stable and contradicts Lenin's thesis that capitalism made inter-imperialist war inevitable' (Keohane 1984, p. 43).

These views no doubt carry an air of conviction. But the ahistorical nature of Keohane's assessment of the ultra-imperialism debate is revealed when the following considerations are taken into account. Firstly, the undeniable fact that Kautsky's analysis, which was developed prior to World War I, had failed to comprehend the true nature of the inter-imperialist rivalry leading up to two World Wars. Secondly, the unavoidable datum that while Kautsky's interpretation had envisioned the possibility of co-operation even after British hegemony had faded, it was only with the rise of a new, undisputed hegemonic power out of the ashes of global catastrophe that stability was finally restored. Lastly, the inexorable truth that it was the climb of the USSR to superpower status (a result that Lenin himself helped initiate through the Bolshevik revolution of 1917) – along with the continuing threat of anti-capitalist revolutions on the periphery of the capitalist world – that was to be perhaps the single most important *new* factor leading to the formation of a general Western alliance.

In any case, even if one wishes, like Keohane, to argue that Kautsky was somehow 'proven right' by the history of the world over the period 1914–71, and that there are no real barriers to international co-operation within the capitalist core, it can hardly be ignored that whatever degree of co-operation existed following the two World Wars and the Great Depression, this was dependent at least in part on the emergence of an American Imperium. What then are the prospects for continued co-operation 'after hegemony'? Keohane writes:

> The view taken here is similar to that of Kautsky and his followers, although the terminology is different. My contention is that the common interests of the leading capitalist states, bolstered by the effects of existing international regimes (mostly created during a period of American hegemony), are strong enough to make sustained co-operation possible, though not inevitable. One need not go so far as [Robin] Murray and [Stephen] Hymer in projecting the 'internationalisation of capital' to understand the strong interests that capitalists have in maintaining some co-operation in the midst of rivalry. Uneven development in the context of a state system maintains rivalry and ensures that co-operation will be incomplete and fragile, but it does not imply that the struggle must become violent or that compromises that benefit all sides are impossible [Keohane 1984, pp. 43–44].

Unlike Gilpin, who had been motivated from the start by a purely nationalistic concern with what in liberal analysis has come to be

known as the 'hegemon's dilemma' – or the notion that by serving the interests of the world as a whole the hegemon steadily undermines its own position – and who was therefore concerned primarily with initiating a change in US policy with respect to consumption at home and technological diffusion abroad before it was too late (that is, before the US, through an uncritical exercise of its leadership role, fell prey to a decisive and irreversible climacteric of the kind that the British had already experienced a century before), Keohane, from a considerably less nationalistic perspective had focused on the question of international co-operation as a means of safeguarding world peace in the period 'after hegemony' (Strange 1986, p. 69). Nevertheless, it is the work of the former, rather than that of the latter, which represents the dominant view among leading mainstream commentators on international political economy (particularly in the US). Thus, Mancur Olson has argued in his very influential book, *The Rise and Fall of Nations* (1982), that the source of American decline is to be traced to the growth of 'rigidities' in the form of powerful interest groups (particularly trade unions) that gradually come to dominate the political landscape in those developed nations with a long history of stability, strongly suggesting that the US must find some way of getting its workers to fall into line as part of an overall strategy to re-establish a dominant position within the world capitalist order. Such views obviously fit well with the Reagan administration's more comprehensive strategy to 'make America strong again' by attacking institutions and policies that benefit workers and the poor at home, while promoting active interventionism abroad.

Indeed, the Reagan administration's singularly nationalistic goal of resurrecting American power knows few bounds, and can only be interpreted as an attempt to restore US global hegemony. Foremost among its objectives is control of the Third World. In a message to Congress on March 1986 the President provided a detailed outline of the policy that the media and international relations authorities had already dubbed 'the Reagan doctrine'. This message reaffirmed 'active American support' for the 'growing resistance movements [that] now challenge Communist regimes installed or maintained by the military power of the Soviet Union and its control agents – in Afghanistan, Angola, Cambodia, Ethiopia and Nicaragua' (Reagan quoted in Acharya 1987, p. 28). As Amitav Acharya has pointed out, two features distinguish this 'Doctrine' from a host of similar foreign policy 'Doctrines' that preceded it:

> Firstly, its geographic sweep is much broader; in fact it is the first truly global doctrine of containment. In his message, Reagan targets the existing regimes in Nicaragua, Ethiopia, Angola, Afghanistan, and Kampuchea – thereby spread-eagling the entire Third World. In contrast the Truman, Eisenhower and Carter doctrines were essentially focused on the Middle East Region.
>
> Secondly, while the earlier doctrines were meant to be deterrents to feared communist takeovers, the Reagan Doctrine aims at dislodging regimes that are already in power. ... In the new Cold War, Moscow is cast in the role of defending a status quo which Washington actively seeks to topple by assisting indigenous rebel movements or, to use Reagan's favourite phrase, the 'freedom fighters' [Acharya 1987, pp. 28–29].

Such a policy of the aggressive use of force to restore American domination, in the face of growing Third World revolution, is complemented by an increasingly beligerent use of economic pressure to re-establish US dominance in the areas of international trade and finance. Thus the US has developed a hawkish policy of 'opening international markets' by virtually whatever means possible. The 1987 *Economic Report of the President* flatly declares 'Governments that unnecessarily restrict the location and operation of foreign capital lower the welfare of their citizens by lowering their incomes. All investment policies that distort or impede trade alter the pattern of trade away from that dictated by comparative advantage and lower the economic well-being of both the countries that impose the laws and the rest of the world' (Council of Economic Advisers 1987, p. 142). Hence, it is in the role of the self-appointed defender of the best interest of all parties that the US has increasingly resorted in recent years to extraordinary pressures on other countries within the world capitalist economy, on the grounds that these countries have adopted various 'unfair trading practices'.

Pressure – partly through the IMF and a general creditors' cartel – has been greatest on Third World countries with large debt burdens, but the US has also acted (under Section 301 of the Trade Act of 1974) against the European Community and Japan. Faced with a deficit of approximately $150 thousand million in 1986, on top of a stagnating domestic economy, the US has moved rapidly toward 'beggar thy neighbour policies' (Council of Economic Advisers 1987, pp. 125–45).

THE THEORY OF IMPERIAL INSTABILITY

Reagan administration strategies for controlling the Third World suggest that an understanding of global crisis cannot stop with a narrow conception of 'hegemonic stability', but must encompass the conflict between the developed and underdeveloped parts of the capitalist world, which is the principal contradiction of the system at the global level in the present historical period. And it is here that radical analysis, with its emphasis on imperial instability, has traditionally had the most to offer. Over the last two decades, Marxist theorists dealing with the contradictions of imperialism have generally divided into two traditions. The first of these traditions, with its roots primarily in Western Europe, views the present-day global conflict as primarily one of inter-imperialist rivalry. In this perspective, it is the growing rivalry between Europe and Japan, on the one hand, and the US, on the other, which is the central conflict in the capitalist world economy. The Third World enters this vision of inter-imperialist conflict mainly as a realm of often rapid economic development from which new rivals – the so-called 'newly industrialising countries', such as Brazil, Argentina, Mexico, South Korea, Taiwan, Hong Kong and Singapore – are emerging to further complicate the problem of rivalry.[1] Thus, thinkers within this broad stream of thought frequently refer to 'the internationalisation of capital' as a general trend resulting in an increasingly horizontal (rather than hierarchical) relation between states worldwide. Such views have come to be associated in various ways and to differing extents, with the work of such diverse theorists as Bill Warren, Ernest Mandel, Bob Rowthorn, Michael Kidron, Geoffrey Kay, Robert Brenner, Ricardo Parboni, Michel Aglietta and Alain Lipietz (Rowthorn 1980; Willoughby 1979).

The other broad tradition, with its roots mainly in North America, the Third World and Eastern Europe, focuses on 'the pillage of the Third World' as the central contradiction of the modern imperialist system. In this perspective, inter-imperialist rivalry is still secondary to what former US President Richard Nixon has called the 'Third World War' (that is the struggle for control of the periphery and its resources). The threat that the Third World poses to the system in this perspective has less to do with economic development – given the realities of dependent development – but emanates rather from the social revolutions taking place throughout the Third World, as imperialised nations and super-exploited classes try to break out of what seems to be a perpetual dependency by breaking with capitalism itself. A general analysis of dependent development along these lines is widely associated with the work of such distinctive theorists as Paul Baran, André Gunder Frank, Samir Amin, Harry Magdoff, Paul Sweezy, Immanuel Wallerstein, Arghiri Emmanuel, Clive Thomas, Richard Fagen, Fernando Cardoso, Peter Evans and Fidel Castro.

These broad traditions – which today are becoming less and less distinct as the generalisation of global crisis and the complexity of world development makes it increasingly difficult to focus on a single fault-line – have the advantage over mainstream discourse that, in focusing on such all-embracing alternative conceptions as the 'internationalisation of capital', and the world hierarchy of nation-states associated with the 'development of underdevelopment', they constitute truly global theories from the outset. Nevertheless, this sometimes leads to a scattering of vision, and a failure either to give adequate attention to the struggle for imperial hegemony within the core of the capitalist world economy or to perceive how this is related to revolutionary struggles within underdeveloped countries. It is true that some radical thinkers in the 'internationalisation of capital' tradition like Bob Rowthorn and Ernest Mandel were quick to appreciate the significance of the decline of US hegemony, but like many of their mainstream counterparts they placed this almost entirely within the context of 'Europe versus America' (or Europe and Japan versus America), putting relatively little emphasis on the consequences for US hegemony of the weakening of the American empire on the periphery of the capitalist world. As Rowthorn pointed out as early as 1971, 'European and Japanese capital is strong enough not only to fight back against American capital but also to counter-attack by expanding overseas' (Rowthorn 1980, p. 65). Although such views have insight, they tend to play down the key fact that the decline of the dollar, which constituted the proximate cause of the current crisis of US hegemony, was directly connected to the vast flood of dollars overseas associated with the seemingly endless US war against Vietnam. Indeed, those Marxists, like Amin, Frank, Magdoff and Sweezy, who kept the conflict between the advanced capitalist countries and the Third World at the centre of their analysis of the contradictions of global capitalism were labelled 'Third Worldists' by Mandel, Rowthorn and numerous others – even while the Vietnam War was still raging (Rowthorn 1980, p. 49).

In a similar vein, French theorist Michel Aglietta, commenting on 'World Capitalism in the Eighties' in 1982, presented the following 'four scenarios': (1) continuing world-wide stagnation as a result of

high US interest rates; (2) 'the restored vigour of American capitalism' associated with a shift of world trade to the US–Japan axis; (3) a weakening of the US and a rise of the Common Market to an increasingly ascendant economic position; or (4) a global financial collapse originating in the centre of the capitalist system (Aglietta 1982, p. 35–41). Most notable in these alternative scenarios was the almost total disappearance of the underdeveloped countries from the picture. When the Third World did enter the analysis, in the work of Aglietta, or of other notable theorists like Bill Warren or Alain Lipietz (who was less inclined than Warren to deny the reality of dependence in the Third World) it was mainly in the form of additional rivals to the US, Europe and Japan – the so-called 'newly industrialising countries'. Such views are often accompanied by an interpretation of economic crisis in the advanced capitalist states that emphasises the supply-side constraints on accumulation, or the notion that costs are squeezing profits at the point of production. Low wages in the periphery are therefore seen as threatening advanced capitalism at its weakest point – the supply side (Lipietz 1987, p. 43).

In contrast to the relative de-emphasis on 'the pillage of the Third World' to be found in the work of those Marxian political economists with a strong European bias, theorists of 'dependent development', 'unequal exchange' or 'the world system' are distinguished by the fact that they locate this same problem much more centrally within their analysis, while at the same time providing a more comprehensive historical interpretation of the significance of declining US hegemony.

Paul Sweezy told a Japanese audience in 1979:

> The period of undisputed US hegemony lasted somewhat more than a quarter of a century, after which it began to weaken as the defeated powers of World War II gradually recovered their strength. The global capitalist system always works most smoothly when there is one undisputed hegemonic power, and the eroding and ending of that undisputed hegemony always signals the onset of a time of troubles and crises. In both respects the post-World War II period has run true to form [Sweezy 1981, p. 80].

During the long wave upswing that followed World War II the contradictions of capitalism seemed almost to have disappeared. 'But underneath the surface and mostly out of sight, Sweezy argued, certain long-term tendencies were at work that pointed to stormy weather ahead. The most important, I think, were the following: (1)

over-investment, (2) vast expansion of the debt structure, (3) weakening of the international monetary system, and (4) growing inequality between centre and periphery.'

In the centre of the capitalist system there was a growing tendency toward 'over-investment' or over-building of productive capacity in such industries as steel, shipbuilding, automobiles and heavy chemicals, marked by rising amounts of unutilised productive capacity reflecting insufficient demand for final products. A great balooning of the debt structure of the capitalist economy occurred as the conditions of stagnation within production itself became more and more predominant – an expansion of debt which was to spread to Third World states as the Western banks sought out bigger and 'more reliable' borrowers. US global military commitments in general, and the Indochina War in particular, Sweezy suggests, led to increasing US balance of payments deficits and a swelling of dollars overseas (to as much as $1000 billion by 1980), thereby destabilising the gold-dollar standard. Finally, a widening inequality between centre and periphery produced growing social unrest (and greater demands on the US military to put down revolts) even while the extraction of surplus from the Third World worsened problems of surplus absorption within the metropolitan core itself. To sum up:

> The consequence of all these co-existing, and largely interacting, trends and tendencies is twofold. In the centre we observe a faltering of the capital accumulation process, renewed stagflation, and an out-of-control explosion of the debt structure. In the periphery the scenario includes declining standards of living for the masses, accompanied by increasing political oppression: astronomical rates of unemployment, often reaching 30 to 40 per cent of the labour force; misery, malnutrition, even starvation, with no let-up in sight and no improvement in prospect. Both parties of the global system are thus in a state of at least latent crisis, and signs that breaking points are being reached are not wanting — the near US stock market and dollar panics of October 1978, the Iranian revolution, and more recently, a wild speculative increase in the price of gold, attesting to a distrust of *all* currencies. But apart from these specifics of the present situation, there is a much larger question at issue. The present crisis of the global capitalist system is shaped by forces that have been at work for more than a quarter of a century. They are still at work; in fact they are inherent in the system. Unless something unexpected, like a major war, intervenes, they will continue to work. It is unlikely that they can be stopped or controlled by national governments, and there is no such thing as an international government [Sweezy 1981, pp. 83–84].

According to this view, then, 'the underlying crisis of capitalism ... is an appalling and, by historical standards, extremely rapid deterioration in the conditions of existence of a clear and growing majority of humankind'. It is the inexorable working out of Marx's 'law' of uneven development, or 'the absolute general law of capitalist accumulation', according to which a growing disparate prosperity at the top is accompanied by an increasing relative misery at the bottom of society – a 'law' which finds its 'field of action' nowadays in 'the entire global capitalist system'. Moreover, it is this very same 'underlying crisis' – particularly in the context of the waning of US hegemony – 'that ineluctably generates tensions, both internationally and within countries, that threatens sooner or later to explode in a general conflagration' (Magdoff and Sweezy 1987, pp. 203–05).

Immanuel Wallerstein's historical reflections on the fragility of systems of hegemonic domination within the world capitalist system provide further reason for suspecting that the decline of US hegemony could lead to a war crisis of global proportions. According to Wallerstein's deliberately restrictive definition of hegemony:

> Hegemony in the interstate system refers to that situation in which the on-going rivalry between the so-called 'great powers' is so unbalanced that one power is truly *primus inter pares*; that is, one power can largely impose its rules and its wishes (at the very least its effective veto power) in the economic, political, military, diplomatic, and even cultural arenas. The material base of such power lies in the ability of enterprises domiciled in that power to operate more efficiently in all three major economic arenas – agro-industrial production, commerce, and finance. The edge of efficiency of which we are speaking is one so great that these enterprises can not only out-bid enterprises domiciled in other great powers in the world market in general, but quite specifically in very many instances within the home markets of the rival powers themselves [Wallerstein 1984, pp. 38–39].

Using this restrictive definition, the only three instances of hegemony would be the United Provinces in the mid-17th century, the United Kingdom in the mid-19th, and the United States in the mid-20th. I would tentatively suggest as the maximal bounding points 1620–72, 1815–73, 1945–67 [Wallerstein 1984, pp. 39–40].

Based on these three instances, Wallerstein suggests a number of historical analogies relating to the rise and fall of hegemonies, which reflect re-occurring patterns in the interface between the political-structuring of the capitalist world system and the underlying economic forms:

> The first analogy has to do with the sequencing of achievement and loss of relative efficiencies in each of the three economic domains. What I believe occurred was that in each instance enterprises domiciled in the given power in question achieved their edge first in agro-industrial production, then in commerce, and then in finance. I believe they lost their edge in this sequence as well (this process having begun but not yet having been completed in the third instance). Hegemony thus refers to that short period in which there is *simultaneous* advantage in all three economic domains.
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> The second analogy has to do with the ideology and policy of the hegemonic power. Hegemonic powers during the period of their hegemony tended to be advocates of global 'liberalism'. They came forward as defenders of the principle of the free flow of the factors of production (goods, capital, and labour) throughout the world economy. ...
>
> The third analogy is in the pattern of global military power. ... In each case, the hegemony was secured by a thirty-year-long world war. ... World War Alpha was the Thirty Years War from 1618 to 1648, where Dutch interests triumphed over Hapsburg in the world economy. World War Beta was the Napoleonic Wars from 1792 to 1815, where British interests triumphed over French. World War Gamma was the long Euro-asian wars from 1914 to 1945, where US interests triumphed over German [Wallerstein 1984, pp. 40–42].

At present, Wallerstein goes on to argue, 'the US has lost its productive edge but not yet its commercial and financial superiorities; its military and political power is no longer so overwhelming'. Thus its Western European and Japanese allies are not as easily dictated to, while its ability to 'overwhelm the weak (compare the Dominican Republic in 1965 with El Salvador today) ... [is] vastly impaired' (Wallerstein 1984, p. 46).

Nevertheless, US dominance (if not exactly hegemony) within the capitalist world-economy persists, based on commercial, financial, military and political advantages. An individual might therefore reasonably conclude that, in the immediate future, there is little likelihood that an inter-imperialist war crisis will develop.

Ironically, the real immediate danger to world peace stems from the fact that, as Robert Cox and to a lesser extent Robert Keohane have emphasised, there is a 'consensual' aspect to hegemonic domination. In the words of the former, 'A hegemonial structure of world order is one in which power takes a primarily consensual form, as distinguished from a non-hegemonic order in which there are manifestly rival powers and no power has been able to establish the legitimacy of its dominance' (quoted in Keohane 1984, pp. 44–45; Cox 1982). Hegemony is thus not simply a question of power but of leadership and legitimacy as well.

Here it is necessary to recall that, in taking on the responsibility for protecting the 'free world' by containing revolutionary forces throughout the globe, in the immediate post-World War II period, the US promoted not only its own global ambitions, but also those of the other imperial powers, who shared in the systematic exploitation of the Third World. It was here that US leadership was most important, and it is here that (as a consequence of the Vietnam War) the growing limits of US power first became apparent. Not surprisingly, therefore, the Reagan administration has responded to the general crisis of the US imperial system by adopting a more agressive leadership role than ever before in the post-World War II period, hoping not only to stem the rising tide of revolution, but also – and of almost equal importance from a US standpoint – to bring its allies back in line, and therefore to obtain additional political leverage for American global designs. Moreover, this strategy is closely tied, in the minds of conservative policy-makers in the US, with overcoming the 'Vietnam Syndrome' – or the peace movement, as well as the more general anti-interventionist and anti-authoritarian sentiments among the underlying population, that remain as lasting legacies of the Vietnam War.

It is essential to recognise that, whether successful or not in its primary political objectives, an agressive *policy* of imperialism along these lines is bound to generate more frequent and wider wars, and could lead to a nuclear war crisis, if the US and the Soviet Union come into direct conflict in the Third World (as a consequence, for example, of a revolution in India).

Still, there is every indication that the Reagan doctrine is failing in every direction. American unilateralism, has at best helped to perpetuate limited European and Japanese co-operation in maintaining existing international institutional structures (which – now more than ever – have their greatest viability where the regulation of the Third World is concerned). Nevertheless, despite US pressures, its allies within the capitalist core have generally refused to follow its lead, to the extent that this would require subordinating their own interests within a larger 'historical bloc' associated with the Second Cold War. Nor have interventions in Lebanon, Grenada, Lybia and Central America served to break the resistance of the peace movement or to reverse much of the anti-interventionist sentiment in the US. Meanwhile Third World revolutions continue to take their toll on the world capitalist system.

Greater instability within the US-dominated imperial order can in fact be expected. To quote Harry Magdoff, 'What we have now is monopoly capital in an advanced stage of internationalisation, geared to expansion of finance and speculation, and stuck in stagnation' (Magdoff and Pollin 1987, p. 748). As the logic produced by the world glut economy and the global financial hypertrophy works its way through the entire system, the effects of the crisis will be transferred increasingly to the world's poor, with the result that a growing revolt from below is likely to be generated in both capitalist core and periphery.

What implications does the foregoing analysis carry for the future of world peace? Our analysis has shown that conservative attempts to reconstruct US hegemony in the context of a deteriorating US and world economy carry with them the dangers of ever wider war and potential global holocaust. The more progressive hope of co-operation among the advanced capitalist powers is, however, little more than wishful thinking 'after hegemony'; and derives whatever degree of viability it has from the common interest among the various ruling classes in the capitalist core in exploiting the periphery. On the other hand, radical analyses that focus too much on the conflict of 'Europe versus US' (or Europe and Japan versus US); on the presumed supply-side causes of crisis within the centre of the capitalist system; and on the pressures on the core exerted by the 'newly industrialising countries' of Asia, tend to underestimate the revolutionary imperative within the substratum of contemporary capitalist societies – as well as the importance for the imperial powers of suppressing such mutinies. Finally, a coherent analysis of the global crisis suggests that while there

are incalculable short-term dangers associated with the current uncoupling of the capitalist world order, other long-term opportunities are to be found in the logic of socialism, which holds out the possibility that the poor and exploited of the world will be able to advance together. To avoid 'the common ruin of the contending classes' it is essential that the lower classes finally come into their own (Marx and Engels 1848: 2).

NOTES

1. The extent to which developments in the East Asian 'newly industrialising countries' are still most adequately viewed within a 'dependent development' perspective is shown in Evans, 1987.

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6 Nation–State and European Integration: Structural Problems in the Process of Economic Integration within the European Community

Klaus Busch

Since the foundation of the European Economic Community in 1958, the process of economic integration in Western Europe has developed in a very contradictory way. While in the 1960s the customs union for commercial goods could be realised earlier than planned and even a common market for relevant agricultural products could be opened up, in the 1970s the plan which intended to realise an Economic and Monetary Union (EMU) (Werner Plan) and which was conceived to give a fresh impetus to integration, totally failed. Neither the monetary goals of the EMU project (fixing of exchange rates, establishment of a European Monetary Fund) and its monetary, fiscal, and economic policy goals (common European central bank, co-ordination of the budget policy of the member states, establishment of a supra-national economic policy decision centre), nor the legal harmonisation of plans worked out to establish a free circulation of goods, services labour and capital, could be realised.

After nearly ten years of failures in monetary and economic policy integration, in 1979 the EC, however, succeeded in establishing the European Monetary System (EMS), although with some reduction of the original EMU plans. This project is confined to monetary policy measures (fixed exchange rates, extension of the credit facilities, establishment of a European Monetary Fund), while renouncing the fiscal and economic policy aims of the Werner Plan. Although the European Monetary Fund has not been established yet, since 1979 the European fixed-rate system was less unstable than was the European exchange rate pool (the 'snake') between 1972–78.