The crisis of US imperialism in historical perspective

Nick Beams
8 November 2006

The following is an edited version of a report delivered by Nick Beams to a meeting of the Socialist Equality Party (Australia) on the weekend of October 25-26. Beams is the SEP national secretary and a member of the International Editorial Board of the World Socialist Web Site. *He has written and lectured extensively on Marxist political economy.*

The 2006 American elections have a truly global significance. They are taking place in conditions where the Bush administration and the entire US ruling elite is embroiled in a deep-going political crisis, precipitated by the disastrous consequences of the invasion and occupation of Iraq. As numerous books, articles and comment pieces—many of them echoing positions articulated within the American military—have made clear, the invasion of Iraq has been a fiasco. The underlying position of the various critics from within ruling circles is that it has weakened both the immediate and the long-term strategic position of the United States.

How to resolve this crisis? A *Financial Times* columnist recently suggested that anyone who could do so, ought to be awarded the Nobel Prize. No one has an answer. A situation has developed where all the options are bad—that is to say, any proposal immediately throws up new problems and contradictions.

The Iraqi government, as has been widely reported, has been given about two months to move toward bringing the situation under control. Just what that means, however, is not clear. Having denounced the insurgents as terrorists and Baathist dead-enders, the Bush administration is insisting that there should be an amnesty and they should be brought into the political process. But to bring back the Baathists means a bloody crackdown on the Shia militias, and above all on the Sadrists. Such a military bloodbath is now being prepared.

The report of Iraq Study Group headed by James Baker III will be issued after the elections. Among the options being considered is the division of Iraq into three—a Kurdish region in the north, a Shia-dominated region in the south and a Sunni-dominated region in the centre. But this option appears to have been rejected, at least for the present, on the grounds that it would result in even bigger conflicts, coupled with large-scale ethnic cleansing. The present sectarian conflict is largely the result of dividing the polity along religious lines. What would happen if there were to be a geographical division of the country? A Kurdish state in the north would create problems for Turkey, and the Saudi regime could be weakened by a Shia regime in the south, while Iran would be strengthened.

One proposal, which seems likely to come from the Baker report, is discussions with Iran and Syria to try to stabilise the situation. But concessions would have to be made to both Iran and Syria to effect such an agreement—at least, some kind of normalisation of relations and a rejection of the perspective of "regime change". In the case of Iran, this would involve the reversal of US policy going right back to the immediate aftermath of World War II. And any agreement with Iran and Syria would raise the issue of US relations with Israel.

Aside from these immediate questions, the Iraq debacle has provoked discussion in American foreign policy circles about the long-term position of the United States.

Former State Department official and now president of the Council on Foreign Relations, Richard Haas, wrote an article in the latest issue of *Foreign Affairs* entitled "The New Middle East" which reviews some of these issues. He begins as follows:

"Just over two centuries since Napoleon's arrival in Egypt heralded the advent of the modern Middle East—some 80 years after the demise of the Ottoman Empire, 50 years after the end of colonialism, and less than 20 years after the end of the Cold War—the American era in the Middle East, the fourth in the region's modern history, has ended. Visions of a new, Europe-like region—peaceful, prosperous, democratic—will not be realised. Much more likely is the emergence of a new Middle East that will cause great harm to itself, the United States, and the world.

"All the eras have been defined by the interplay of contending forces, both internal and external to the region. What has varied is the balance between these influences. The Middle East's next era promises to be one in which outside actors have a relatively modest impact and local forces enjoy the upper hand—and in which the local actors gaining power are radicals committed to changing the status quo. Shaping the new Middle East from the outside will be exceedingly difficult, but it—along with managing a dynamic Asia—will be the primary challenge of U.S. foreign policy for decades to come."

According to Haas, the end of the Cold War and the demise of the Soviet Union provided a situation that gave the United States unprecedented influence and freedom to act. However, this era is now over.

"What has brought this era to an end after less than two decades is a number of factors, some structural, some self-created. The most significant has been the Bush administration's decision to attack Iraq in 2003 and its conduct of the operation and resulting occupation. One casualty of the war has been a Sunni-dominated Iraq, which was strong enough and motivated enough to balance Shiite Iran. Sunni-Shiite tensions, dormant for a while, have come to the surface in Iraq and throughout the region. Terrorists have gained a base in Iraq and developed there a new set of techniques to export. Throughout much of the region, democracy has become associated with the loss of public order and the end of Sunni primacy. Anti-American sentiment, already considerable, has been reinforced. And by tying down a huge portion of the US military, the war has reduced US leverage worldwide. It is one of history's ironies that the first war in Iraq, a war of necessity, marked the beginning of the American era in the Middle East and the second Iraq war, a war of choice, has precipitated its end."

In the future, he points out, the US will increasingly be challenged by the foreign policies of other outsiders in the Middle East. Haas can offer no way forward, warning that there are no quick and easy solutions for the problems the new era poses and that the Middle East will remain a troubled and troubling part of the world for decades to come—enough to

© World Socialist Web Site

make one nostalgic for the old Middle East.

Michael Lind of the New America Foundation, a thinktank established in the recent period to promote alternatives to the Bush administration, points to the decline in the long-term strategic position of the US and the collapse of the perspectives developed in the post-Cold War period.

In a recent article entitled "The World After Bush", he writes:

"On 20th January 2009, George W Bush, barring his death, resignation or impeachment, will be succeeded by the 44th US president. Whether Republican or Democrat, the next president will not only inherit a number of crises, but will be in a considerably weaker position to deal with them.

"Much of America's weakness will be the result of self-inflicted wounds: the unnecessary invasion of Iraq, along with the Bush administration's gratuitous insults to allies, its arrogant unilateralism and its hostility to international law. But as tempting as it may be to put all of the blame on the Bush administration, the truth is that most of the trends that will limit American power and influence in the next decade are long-term phenomena produced by economic, demographic and ideological developments beyond the power of the US or any government to influence. The rise of China, the shift in the centre of the world economy to Asia, the growth of neo-mercantilist petro-politics, the spread of Islamism in both militant and moderate forms—these trends are reshaping the world order in ways that neither the US nor any of its allies can do much to control.

"In retrospect, we can view the period in US and world history that has just ended as 'the long 1990s'. Those years began in euphoria with the fall of the Berlin Wall in 1989 and expired in frustration in late 2003, when the swift victory of the US and its allies over Iraq's armed forces was succeeded by an insurgency that exposed the limits of US power. But even if 9/11 and the Iraq invasion had never occurred, the conventional wisdom of the long 1990s would have crumbled at some point after colliding with reality.

"Take the central assumption that at the end of the cold war a bipolar world was replaced by a unipolar one. This was true only in the military dimension—and even there American power was exaggerated. The US has no peers when the task is breaking the conventional armed forces of second and third-tier states like Iraq and Serbia. But when it comes to asymmetric warfare, in the form of campaigns against insurgents like those in Iraq and Afghanistan, the US military, like all conventional militaries, finds itself in the position of a clumsy Goliath trying to quash a nimble and determined David. Stealth bombers and world-class fleets are no help in house-to-house fighting, and missile defences are no good against improvised explosive devices. As the wars in Vietnam and Iraq tragically demonstrate, the US military is not very good at 'military operations other than war'—and America's enemies know it."

Turning to the underlying economic issues, he writes:

"The conventional wisdom of the long 1990s was correct that capitalism had defeated socialism, but mistaken to assume that the libertarian capitalism fashionable in the US in the late 20th century was the winner. The Japanese never adopted laissez-faire capitalism and China and Russia in recent years have devised their own mixes of state capitalism and free markets.

"The growth of China and India, which was supposed to herald a global free market, may instead inaugurate a new age of mercantilism, as Asian industrial powers like China, unwilling to rely on free markets for energy sources and commodities, engage in negotiations with supplier countries. Already bilateral contracts are displacing free markets in oil and gas, and regional trade pacts are proliferating even as global trade talks are stalled. The competition between the rising industrial nations of Asia and the older industrial democracies enhances the leverage of authoritarian and nationalist states endowed with critical resources, particularly oil-producing countries like Iran, Russia, Venezuela and Saudi Arabia. These countries view China not only as a customer but also as a counterweight to the US."

Lind maintains that the "conventional wisdom of the long 1990s ... was mistaken in every respect. The world did not become unipolar in the 1990s; it has been effectively multipolar since the 1970s. Ethnic nationalism, not liberalism or democracy, is the most powerful force in the world today. And the competition of the industrial nations for sources of supply and markets is bolstering mercantilism and economic regionalism, incompatible with the laissez-faire utopia touted by panegyrists of globalisation in the long 1990s.

"All of these trends would constrain US foreign policy, even if Al Gore had been inaugurated in 2001 rather than George W Bush. It will now be additionally constrained by the legacy of the eight-year Bush administration. When the next president is inaugurated, the US will almost certainly still be in Iraq. Rather than have the world witness the inglorious departure of US forces from a chaotic Iraq in the final years of his presidency, Bush is likely to cede the problem to his successor."

He concludes that the collapse of the neoconservative perspective in the Middle East and the world does not mean success for what he calls the neoliberal perspective of the Democratic Party. "Neoliberals agree with neoconservatives about the goal of US foreign policy—a global free market in a world policed by a benevolent, hegemonic US. Their differences are in the details. Although they are as opposed in practice to a multipolar world order as neoconservatives, neoliberals argue that the US should make its global hegemony more palatable to other countries by endorsing international law and working through international institutions like the UN and NATO."

He notes that while some neoliberals call for a vast program of investment in developing countries, the Middle East in particular—a kind of new Marshall Plan—this will never be tested, because the money is not there in the first place.

While Lind does not go on to develop the argument, this fact does point to the underlying reason for the resort to militarism—the economic decline of the United States. His perspective is for what he calls a "concert of great powers, organised and led by the US" as the best hope for reconciling international peace with liberal order.

But what happens if those powers do not find it in their interest to be led and organised by the US? Such a concert is only possible provided the US is prepared to make concessions to its rivals and potential adversaries. Here, however, lies the fundamental problem. The US is not in a position to do that. As we have previously noted, the invasion of Iraq was directed not so much against Saddam Hussein, as against the European rivals of the US in the Middle East. The aim was to establish a puppet regime in Iraq and in that way reinforce the position of the US against its European and Asian rivals. The same is true of Iran.

The reason the US pursues such a belligerent policy is rooted in its long-term economic decline. In the immediate post-war period, the US financed the Marshall Plan and consciously rebuilt the other major capitalist powers—except Britain whose empire it was seeking to dismantle. Under today's conditions, a "concert of great powers" can at best only be an unstable truce.

The present situation has to be placed within its broad historical context—that is to say, examined on the basis of the historical development of the world capitalist system.

Following Leon Trotsky, we can delineate very definite phases or periods in what he called the curve of capitalist development, and a number of important features of the present situation clearly emerge.

When Marx and Engels wrote the Communist Manifesto in 1847, they pointed to the stupendous achievements of capitalist civilisation. But in many ways what they wrote was only a brilliant anticipation of what was to come. Over the next 25 years, there took place the great Victorian upswing of the mid-nineteenth century.

Following the revolutions of 1848, which cleared away the remaining

© World Socialist Web Site

feudal encumbrances and barriers, at least in Western Europe, came a mighty economic expansion. It was spearheaded by the railway industries and organised by British capital. This was the heyday of British commercial imperialism. British capital financed expansion in Western Europe and the United States. Britain with its empire and navy was the pre-eminent capitalist power, but it laid the basis for the expansion of the other capitalist powers.

The first great upswing in the curve of capitalist development came to an end with a series of financial crises in 1873. While the immediate crisis passed, it did not signal a return to the previous period. Rather, 1873 marked the beginning of what is known in economic history as the Great Depression of the nineteenth century. In contrast to the upswing of the previous quarter century, this was a period of enormous downward pressure on profits.

This pressure, in turn, was the driving force behind some of the great changes of that period. In America, and to some extent Germany, new forms of industrial organisation and industrial processes emerged—in steel-making, in chemicals, the beginnings of assembly line production in the food and meat industries, and the application of steam power to shipping, to name a few. This was the period of the rise of colonial empires, exemplified by the carve-up of Africa in just 20 years. But it was also, although not fully recognised at the time, the beginning of the decline of British hegemony. The very expansion of capitalism, financed by Britain in an earlier period, created the conditions for a weakening of its relative position.

The period of the Great Depression also brought great social changes. The development of new industrial processes saw the emergence of the industrial working class as a powerful social force. In the days of the Communist Manifesto, the working class, except in England, was not highly concentrated. Old artisan forms still remained and factories tended to be small scale. All that changed in the last quarter of the nineteenth century.

These objective processes found their expression in the development of the mass trade unions and the socialist and labour parties. The rise of Marxism as the theoretical and political guiding force of the socialist movement was expressed in the founding of the Second International. The First International had been wrecked by the anarchists and petty-bourgeois radical forces and by the impact of the defeat of the Paris Commune in 1871. But by 1889, Marxism had asserted its supremacy over these tendencies. Just 28 years after the founding of the Second International, the first successful socialist revolution was carried out in Russia in October 1917.

In the Communist Manifesto, Marx emphasised the global character of the capitalist system. But here, again, this was more a brilliant anticipation than an empirical description. In the last quarter of the nineteenth century, the capitalist system started, so to speak, to catch up to Marx and the process we now designate as globalisation went ahead in leaps and bounds. Far-flung regions of the world were drawn into the capitalist processes of production, united by new forms of transport and communications.

Minerals and raw materials, some of them new, such as rubber, as well as agricultural products, were transported in bulk to be processed in factories. Finance capital spread across the world as banks financed vast undertakings, in particular the development of infrastructure. The cheapening of raw materials and food, which these developments made possible, assumed vast importance for the development of industrial capitalism, in the same way that the drive to secure ever-cheaper forms of labour does today.

This “second industrial revolution” in the last quarter of the nineteenth century eventually brought an end to the Great Depression in prices and profits. A new capitalist upswing began from around 1895. But it was not a repeat of the earlier upward phase.

Beneath the prosperity, all manner of problems were emerging. One of the crucial differences with the earlier period was that rather than taking place under the aegis of a dominant power, whose economic might worked to ensure the expansion of the capitalist economy as a whole, the new upswing took place amid growing rivalries and antagonisms among the major powers.

The old economic power, Britain, was losing its position. At the turn of the century, it suffered a shock when the Boer War, which was expected to present few problems, turned into a bloody disaster. Britain’s weaknesses had been exposed and, over the course of the next seven years, she abandoned the previous policy of “splendid isolation” and entered into a series of alliances—with Japan, France and Russia—which were to play a significant role in propelling her into the Great War.

The eruption of the war in 1914 marked the beginning of a new downswing in the curve of capitalist development. But, as Trotsky was to remark later, it was not so much that the war produced the downswing, rather that the downswing was the key factor in triggering the war. The fundamental economic shift that led to the eruption of the war can be seen in the fact that it was not until the latter 1920s that post-war production in Europe began to attain the levels reached in 1913—only to collapse again with the onset of the 1930s Great Depression.

From the standpoint of globalisation, the inter-war period can be designated as the period of the great reversal. By the beginning of the 1930s, the world market had, to all intents and purposes, ceased to exist. Trade had contracted by two-thirds, and international finance had come to a virtual standstill. The world was divided among competing empires and spheres of influence.

From the standpoint of the dominant capitalist power, the United States, the Second World War was not a struggle against fascism, so much as a war waged to end the empires of the rival capitalist powers, and to restore the world market and the free movement of capital and trade, upon which American capitalism, and the capitalist system as a whole, depended.

The defeat of Germany and Japan opened the way for the reconstruction of the world economy and made possible the adoption on a world scale of the new, more productive, techniques of the American production. This gave rise to a new upswing in the curve of capitalist development.

One is struck today by the parallels with the mid-nineteenth century upswing. Just as the 1848 revolutions removed constrictions on the expansion of capitalism, so the Allied victory in the war, led by the US, opened the way for the extension of the world market. Just as the mid-Victorian boom rested on the economic might of the dominant power, Great Britain, so the post-war economic boom took place under the aegis of the United States, whose vast economic power and superiority over its rivals enabled it to undertake the task of reconstructing the capitalist system as a whole. However, the very measures it undertook weakened its relative position.

The world economic crisis of the early 1970s, when the profit rate began to fall, signalled the onset of a new downswing in the curve of capitalist development. Over the next two decades, the fall in the rate of profit became the driving force for vast changes in the structure and functioning of capitalist production. These changes, bound up with the application of computer technologies to all aspects of communication and production, have resulted in a quantum leap in the globalisation of production.

Whereas in all previous epochs, surplus value was extracted from the working class within the confines of a given nation-state, this now takes place on a global scale. Capital exists in three forms: as money (the end of the capitalist production process with the sale of commodities and the start of a new round of production), as commodity capital (which emerges from the production process) and as productive capital (the means of production that are employed to extract surplus value from the working class in the course of the production process). Commodity capital and money capital became citizens of the world in an earlier period. Productive capital,

© World Socialist Web Site

however, still retained a certain national identity. But now the disaggregation of the production process beyond the framework of the nation-state means that productive capital has become truly global.

The globalisation of production since the mid-1970s has had vast social and political implications. If the downswing in the latter part of the nineteenth century was the trigger for the establishment of the mass organisations of the working class that held sway for the majority of the twentieth century, then the changes over the past three decades have brought about their disintegration and collapse. This was the significance of the demise of the Soviet Union in 1991.

Capital responded to the downturn in the rate of profit in the 1970s in the same way as it had in the past. It undertook a desperate struggle to revolutionise the process of production. The globalisation of production is the outcome.

The question now arises: has this produced an upswing in the rate of profit? There is some evidence that it has. But whether this means a new period of capitalist stability is altogether another question. In fact, an examination of the way this profit upturn has been achieved reveals that it has the most explosive social and political consequences.

An article published in the *Financial Times* on October 14 notes the following: "In Britain, company profits were the highest last year since records began in 1965; yet median weekly earnings, adjusted for inflation, fell by 0.4 percent. It is the same story in all the rich countries of the west. In a recent research note on the US economy, Goldman Sachs, the US investment bank, said: 'As a share of GDP, profits reached an all-time high in the first quarter of 2006. Several factors have contributed to the rise in profit margins. The most important is a decline in labour's share of national income.'"

According to a *New York Times* article published on August 28, the current expansion in the US economy could become the first period of sustained economic growth since World War II that fails to offer an increase in real wages for most workers. The median hourly wage for American workers has declined by 2 percent since 2003 in real terms. This means that wages and salaries now make up the lowest share of GDP since the government started recording the data in 1947, while corporate profits have reached their highest levels since the 1960s.

In the first quarter of 2006, wages and salaries represented 45 percent of GDP, down from almost 50 percent in the first quarter of 2001 and a record 53.6 percent in the first quarter of 1970. Each percentage point now represents about $132 billion.

These aggregate figures tend to mask the real situation, because they include income paid to the highest earners. In 2004 the top 1 percent of income earners in the US, including many chief executives, received 11.2 percent of all wage income, compared to 8.7 percent a decade earlier and less than 6 percent three decades ago.

The increase in the rate of profit, the result of the increased profit share in GDP, is in part the outcome of the vast changes in the structure of the world economy resulting from the integration of China and the former Soviet Union into the world labour market. A recent study by Harvard labour economist Richard Freeman notes that a process he calls "The Great Doubling" has seen the global labour force available to capital increase from about 1.46 billion to around 2.93 billion. This has dramatically changed the balance between capital and labour in the global economy. According to Freeman, the ratio of capital to labour in 2000 was about 61 percent of what it would have been had China, India and the ex-Soviet bloc not been integrated into the world economy. Of course, these figures are only approximations, but they do give a sense of the historic dimension of the transformations taking place.

The process, which began with unskilled labour, has not stopped there. A whole series of jobs that were once considered relatively immobile can now be transferred. In effect, any process that can be digitised can be outsourced to anywhere in the world.

Capital has thus been able to bring about a certain restoration in the rate of profit. In other words, there has been a benefit to capital from the dissolution of the Soviet Union and the integration of China and India into the world market. Previously, capital boosted the profit rate by plundering raw materials and resources. Today it does so by plundering cheap labour. But it is far from establishing a new equilibrium. In fact, the situation is highly unstable. Capital accumulation, as measured by the rate of profit, depends more and more on the reduction of the share of national income going to labour in the major capitalist countries. And even where there is a tendency for wages to increase in China and India, the process of accumulation is also highly unstable. Already sections of Chinese labour are becoming too highly priced in relation to what can be obtained in Vietnam or Bangladesh.

There are distinct parallels with the period before 1914. Then, the upturn in capitalist profit was occasioned, at least in part, by the first phase of globalisation—the exploitation of cheap raw materials and agricultural products. Today, it is being fuelled by the increased supplies of cheaper labour. But this mode of accumulation is bound to bring social and political instability because it is dependent on ever-deepening social inequality, which can have far-reaching consequences in both the advanced capitalist countries and the new entrants into the global market.

Like the period before 1914, there is an intensifying conflict among the major powers. The relative economic decline of the US, like that of Britain before it, has extended over several decades. However, it has now become an explosive factor in world politics, as the US attempts to compensate for its loss of economic hegemony by military means. There are criticisms of the Bush doctrine of militarism from within American ruling circles, given the disaster that has unfolded in Iraq. But whenever one reads the alternative proposals—a concert of powers, a return to multilateralism—one is struck by the fact that they all involve some weakening of the position of the US. For three and a half decades, ever since it unilaterally removed the gold backing from the US dollar and ended the Bretton Woods monetary system because it was not able to honour its obligations, the US has been seeking to resolve its economic problems at the expense of its rivals. That process is not going to be reversed. In a sense, the turn to military means represents the intensification of a process that has been unfolding over the entire preceding period.

Timothy Garton Ash of the *Guardian* wrote last year: "If you want to know what London was like in 1905, come to Washington in 2005. Imperial gravitas and massive self-importance. That sense of being the centre of the world, and of needing to know what happens in every corner of the world because you might be called on—or feel called upon—to intervene there. Hyperpower. Top dog. And yet, gnawing away beneath the surface, the nagging fear that your global supremacy is not half so secure as you would wish. As Joseph Chamberlain, the British colonial secretary, put it in 1902: 'The weary Titan under the too vast orb of his fate' ... The United States is now that weary Titan'" (cited in Ismael Hossein-Zadeh, *The Political Economy of American Militarism*, p. 36).

Just as in the late nineteenth and early twentieth centuries, the previously dominant imperialist power, Great Britain, had to increasingly resort to military means in the face of rising challengers (Germany, rival European powers and the US) so today the US faces direct threats to its position. These are the underlying driving forces of the deepening political instability, growing great power rivalry and war that we are witnessing today.

To contact the WSWS and the Socialist Equality Party visit:

© World Socialist Web Site

wsws.org/contact

© World Socialist Web Site