

4.3 The future of the American empire

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Source: *Journal of International Affairs*, vol. 42, no. 1 (1988), pp. 1-17.

Little, R. & Smith, M. 'Perspectives on World Politics', 2nd edition, Routledge, 1991, Ch 4.3, pp. 434-443

Strange insists that arguments about the hegemonic decline of the United States have failed to take account of what she calls the structural power of the modern state. To do this, however, it is necessary to break away from the territorially based conception of power which has acted as a perspectival strait-jacket on attempts to understand the contemporary international system.

[Strange begins by arguing that the outcome of the debate about whether or not the US has lost its hegemonic status in the international system has practical consequences which will affect future policy choices by people in business, banking and government. The 'school of decline' is seen to make three claims: (1) the power of the US has declined; (2) Great Powers inevitably decline; (3) a likely consequence of the US decline will be political instability and economic disorder in the international system. Strange goes on to challenge each of these claims while accepting that we are approaching a fork in the road and that governments are facing 'momentous choices' ahead which may dwarf the outcome of the debate about US decline.]

AMERICAN POWER

Paul Kennedy, in common with the rest of the decline school, starts from the age-old premise that 'to be a great power demands a flourishing economic base'.¹ Following Adam Smith the liberal, and Friedrich List the mercantilist, this is then interpreted to mean an economic base of manufacturing industry located within the territorial boundaries of the state. It is this interpretation of 'a flourishing economic base' that is obsolete and therefore open to doubt. Smith and List are both long dead. More recent changes, noted by Peter

Drucker² among others, in the character of the world economy throw doubt on whether it is manufacturing that is now most important in developing the sinews of war; and, whether it is location within the boundaries of the territory that matters most.

My contention (which should surely be sustained by the champions of American service industries) is that it is the information-rich occupations, whether associated with manufacturing or not, that confer power, much more now than the physical capacity to roll goods off an assembly line. Secondly, I contend that the location of productive capacity is far less important than the location of the people who make the key decisions on what is to be produced, where and how, and who design, direct and manage to sell successfully on a world market. Is it more desirable that Americans should wear blue collars and mind the machines or that they should wear white collars and design, direct and finance the whole operation?

That is why all the figures so commonly trotted out about the US share of world manufacturing capacity, or the declining US share of world exports of manufactures are so misleading – *because they are territorially based*. Worse, they are irrelevant. What matters is the share of world output – of primary products, minerals and food and manufactured goods and services – that is under the direction of the executives of US companies.³ That share can be US-directed even if the enterprise directly responsible is only half owned by an American parent, and even, in some cases of technological dependence, where it is not owned at all but where the license to produce is granted or refused by people in the United States. The largest stock of foreign direct investments is still held by US corporations – even though the figures are neither precise, complete nor comprehensive. The fact that the current outflow from Japan is greater than that from the United States merely means that the gap is narrowing. But the Japanese still have a long way to go to rival the extent of US corporate operations in Europe, Latin America, Australasia, the Middle East and Africa, the assets of which are often valued at their historical prices not at their current values. [...]

*At this point some people will object that when production moves away from the territory of the United States, the authority of the US government is diminished. At the same time, the same people sometimes complain against the 'invasion' of the United States by Japanese companies, as if 'selling off the farm' is diminishing the authority of the United States government. Clearly, both cannot be right. Rather, both perceptions seem to me to be wrong. What is happening is that the American Empire is spilling out beyond the

frontier and that the very insubstantial nature of frontiers where production is concerned just shows the consolidation of an entirely new kind of nonterritorial empire.

It is that nonterritorial empire that is really the 'flourishing economic base' of US power, not the goods and services produced within the United States. One obvious indication of this fact is that foreign central banks last year spent roughly \$140 billion supporting the exchange value of the dollar. Another is that Japanese and other foreign investors financed the lion's share of the US government's budget deficit by buying US government securities and investing in the United States. An empire that can command such resources hardly seems to be losing power. The fact that the United States is still the largest and richest (and mostly open) market for goods and services under one political authority means that all successful foreign companies will want to produce and sell there and will deem it prudent also to produce there, not simply to avoid protectionist barriers but in order to be close to the customers. And the worldwide reach of US-controlled enterprises also means that the capacity of the United States to exercise extraterritorial influence and authority is also greater than that of any other government. If only for security reasons, the ability of Washington to tell US companies in Japan what to do or not to do is immeasurably greater than the ability of Tokyo to tell Japanese companies in the United States what to do.

This points to another major fallacy in the decline school's logic – its inattention to matters of security. The US lead in the ability to make and deliver the means of nuclear destruction is the complement to its lead in influencing, through past investments overseas, the nature, modes and purposes of modern industrial production. Here, too, the gap may be narrowing as South Africa, Israel, India and others claim nuclear capability. Yet there is still no comparison between the military power of the United States to confer, deny or threaten the security of others with that of minor non-Communist states. That military power is now based far less on the capacity to manufacture nuclear weapons than on the capacity to recruit scientists, American or foreign, to keep ahead in design and invention, both offensive and defensive.

HISTORICAL PARALLELS

The decline school so far has succeeded in promoting the idea that history teaches that it is 'normal' for great states and empires to decline, especially when they become militarily overextended, or else

when they become socially and politically sclerotic, risk-averse and resistant to change or when they overindulge in foreign investment, and for any or all of these reasons when they lose preeminence in agricultural and industrial production, or in trade and military capability. In almost all this American literature on the rise and fall of empires, great attention and weight is characteristically (and for reasons of language and culture, perhaps understandably) given to the British experience. But the trouble with history, as the first great realist writer on international relations, E.H. Carr, rightly observed, is that it is necessarily selective – and that the historian selects facts as a fish shop selects fish, choosing some and discarding or overlooking others. In this debate, the historical analogy between Britain and America is particularly weak; and the other examples selected for consideration show a strong tendency to concentrate on the empires whose decline after the peaking of their power was more or less steady and never reversed.

First, it is not too difficult to show that what Britain and America have had in common – such as a tendency to invest heavily overseas – is much less important than all the differences that mark their experience. Britain's economic decline, beginning around the 1880s, was the result of a neglect of the then advanced technologies – notably in chemicals and engineering. This neglect reflected the weakness and low status of manufacturing industry in British politics and society – a social disdain such as American industry has never had to contend with. Even more important was the effect of two long debilitating wars on the British economy, by comparison with which the American experience of Vietnam was a flea bite. It is arguable that the British economy, dependent as it was on financial power, would not have suffered so great a setback if the whole international financial system on which it lived and prospered had not been twice destroyed – first in the Great War and then in the Second World War. The interwar period was too short – and policies were also ill-chosen – to allow a reversal of this British decline.

Finally, there is the great difference between a small offshore island running a large territorial empire and a great continental power managing (or sometimes mismanaging) a large nonterritorial empire. The island state made the fatal mistake after the Second World War of relying on sheltered colonial and sterling area markets – with disastrous effects on the competitiveness of its export industries and even some of its old, established multinationals. The continental power's confidence in its ability to dominate an open world economy, plus the strong commitment to antitrust policies at home, has created

no such weakening crutches for its major transnational corporations.

Secondly, any historical study of empires of the past fails to reveal any standard or uniform pattern of rise and fall. They are like trees. Some grow fast and fall suddenly without warning. Others grow slowly and decay very gradually, even making astonishing recoveries from shock or injury. One author, Michael Doyle, who has shared less in the media attention perhaps because his work lent itself less readily to deterministic interpretations, drew an important conclusion from an analytical survey of empires that included those of the ancient world as well as the later European ones. It is worth quoting:

The historical alternatives had divided between persistence, which necessitated imperial development in both the metropole and the periphery, and decline and fall. Persistence in an extensive empire required that the metropole cross the Augustan threshold to imperial bureaucracy, and perhaps became in effect an equal political partner with the metropole.³

In plainer language, what I interpret this to mean is that the empires that lasted longest were those that managed to build a political system suited to the administration of the empire out of one suited to managing the core. In addition, those empires that survived managed to blur the distinction between the ruling groups of the core and the participating allies and associates of the periphery. This is a notion closely related to Gramscian concepts of hegemony and explanations of the persistent strength of capitalist political economies.

Michael Doyle's attention to the Roman Empire, which was much longer-lived than any of the nineteenth-century European empires, is important for the debate. This is so partly because there have been so many conflicting interpretations of its decline, from Edward Gibbon and Thomas Macaulay to Joseph Schumpeter and Max Weber, and partly because most historians seem to agree that it passed through periods of regeneration and reform before it finally broke up in disorder. Michael Mann, for instance, recently identified one such period of reform and regeneration in the twenty years after the accession of Septimus Severus in AD 193:

Severus began withdrawing crack legions from the frontiers to mobile reserve positions, replacing them at the frontier with a settler militia. This was a more defensive, less confident posture. It also cost more, and so he attempted financial reform, abolishing tax farming and the tax exemption of Rome and Italy.⁴

This comment by a sociologist is interesting because it focuses on two important elements of power in imperial states: relations with key groups in the periphery, and the fiscal system by which unavoidable imperial expenditures are financed. When we consider the future of the American Empire, we find that these two issues are once again crucial to the outcome between Doyle's two alternatives – persistence or decline. Mann describes the Roman Empire as a 'legionary empire', indicating that the role and character of the legions were important in explaining Roman power.

I would argue that America's 'legions', in the integrated financial and production economy of today's world, are not military but economic. They are the corporate enterprises on which the military depends – as President Dwight Eisenhower foresaw in talking about the military-industrial complex. The American Empire in sociological terms therefore could be described as a 'corporation empire' in which the culture and interests of the corporations are sustained by an imperial bureaucracy. But this bureaucracy, largely set up after the Second World War, was not simply a national American one based in Washington, DC. A large and important part of it was and is multinational and works through the major international economic organizations such as the International Monetary Fund (IMF), the World Bank, the Organization for Economic Cooperation and Development (OECD) in Paris and the General Agreement on Tariffs and Trade (GATT) in Geneva.

The other feature of the Roman Empire that I believe is relevant to the current debate is that citizenship was not a matter of domicile, and that there were gradations of civil and political rights and responsibilities, ranging from slaves to senators, which did not depend on what we, today, understand by 'nationality', indicated by possession or nonpossession of a passport. If we can once escape the corset-like intellectual constraints of the conventional study of international relations and liberate our minds to ask new questions we begin to see new things about America's nonterritorial empire. Here, too, citizenship is becoming much more complex and graded than it used to be. The managers of US corporations, in Brazil, for example, may hold Brazilian and not US passports. But they are free to come and go with indefinite visas into the United States and they often exercise considerable delegated power in the running of US-directed enterprises vital to the Brazilian economy. Participation in the cultural empire depends not on passports but on competence in the American language and in many cases participation in US-based professional organizations – like the International Studies Associ-

ation, for example. Similarly, participation in America's financial empire depends on the possession and use of US dollars and dollar-denominated assets and the ability to compete with US banks and in US financial markets.

Rather like a chrysalis in the metamorphosis from caterpillar to butterfly, the American Empire today combines features of a national-exclusive past with features of a transnational-extensive future. In military matters, it is still narrowly exclusive – though where advanced technology is concerned, even that is changing. Certainly, in financial and cultural matters, the distinction between first-class, passport-holding citizens and second-class, non-passport-holding participants is increasingly blurred. The peripheral allies have been unconsciously recruited into the American Empire. [...]

POWER AND SYSTEMIC DISORDER

The third proposition of the decline school has been the one under longest discussion among scholars in international relations. Over most of the past decade, the lead in these discussions has been taken by specialists in the study of international organizations (for example, Joseph Nye, Robert Keohane, John Ruggie and Ernst Haas). It seems to me that they share a wishful reluctance to admit that international organizations, when they are not simply adaptive mechanisms through which states respond to technical change, are either the strategic instruments of national policies and interests, or else merely symbolic gestures toward a desired but unattainable world government. This reluctance to admit the inherent limitations of international organizations leads them subconsciously to the conclusion that it must be hegemonic decline that is the cause of economic instability and disorder and the coincident erosion of earlier international regimes.

This is a proposition that does not stand up well either to the record of recent international economic history or to structural analysis of power in the international political economy. I do not want to repeat myself, but *Casino Capitalism* was an attempt to show two things (among others): there were more ways than one of interpreting recent developments in the international monetary and financial system; and, these developments of the last fifteen years or so could be traced to a series of crucial (and mostly permissive) decisions by governments. Hence, the precarious and unstable state of the global financial structure – which has already been dramatically demonstrated once and probably will be so again – was no fortuitous accident of fate or history.⁵

Since that book was written, I find confirmation that it was not a decline of American power but rather a series of American managerial decisions of dubious wisdom that accounts quite adequately for financial and monetary disorder, without any need to adduce the decline of American hegemonic power. Not only is this the theme of David Calleo's *The Imperious Economy*,⁶ it is also to be found buried in the text of Robert Gilpin's chapters on international money and finance:

Beginning with the Vietnam war and continuing into the Reagan Administration, the United States had become more of a 'predatory hegemon' to use John Conybeare's terms (1985), less willing to subordinate its own interests to those of its allies; instead it tended more and more to exploit its hegemonic status for its own narrowly defined purposes.⁷

Gilpin repeats the point twenty pages later, adding: 'Most of the troubles of the world economy in the 1980s have been caused by this shift in American policy.'

It will not escape careful students of this important text that Gilpin's historical analysis, and the use of the word 'mismanagement' with reference to American domestic and foreign financial policy, fundamentally contradicts his concluding thesis that a stable and prosperous world economy in the future calls for an American-Japanese condominium because of lost American hegemony.

Similarly, *States and Markets* extends the definition of international political economy beyond the conventional politics of international economic relations to ask more basic who-gets-what questions.⁸ In that volume I find that a structural analysis of the basic issues in any political economy, when applied to the world system, strongly suggests that on balance American structural power may actually have increased in recent decades. It has done so through four interlocking structures. These structures concern the power conferred by the ability to offer, withhold or threaten security (the security structure); the ability to offer, withhold or demand credit (the financial structure); the ability to determine the locus, mode and content of wealth-creating activity (the production structure); and, not least, the ability to influence ideas and beliefs and therefore the kind of knowledge socially prized and sought after, and to control (and, through language, to influence) access to and communication of that knowledge (the knowledge structure).

Such a structural analysis suggests the existence under predominant American power and influence of an empire the likes of which

the world has never seen before, a nonterritorial empire, whose only borders are the frontiers of the socialist great powers and their allies. It is not, in fact, such an eccentric idea. Two former US secretaries of state recently wrote:

Far into the future, the United States will have the world's largest and most innovative economy, and will remain a nuclear super-power, a cultural and intellectual leader, a model democracy and a society that provides exceptionally well for its citizens.⁹

WHAT, THEN, MUST BE DONE?

[Strange concludes by warning that because the world is at a 'critical juncture' the US must use its enormous structural power and take the lead in future developments. This will involve forging a symbiotic relationship with Japan on the basis of an international 'new deal'. Other new deals will need to be struck with other areas of the world.]

New Deals, however, do not drop like manna from heaven. They do not come about without political vision and inspiration, or without hard intellectual effort to find the sustaining optimal bargain. Optimal bargains are those that last because they go some way to satisfy the needs and aspirations of the governed as well as those of the governors. Only then can the power of those in charge of empires (as of states, local party machines or labor unions) be sustained over the long run. The next four years will show not only Americans but the rest of us who live and work in the American Empire whether the defeatist gloom of the school of decline can be dissipated. They will show whether the necessary vision can still be found in the White House for a series of global New Deals and whether the necessary intellectual effort to design and negotiate them will be generated not only in the bureaucracies, national and international, but in the universities and research institutes of all our countries.

NOTES

- 1 Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York, Random House, 1987).
- 2 Peter F. Drucker, 'The Changed World Economy', *Foreign Affairs*, 64: 4 (Spring 1986), pp. 768-91.
- 3 Michael Doyle, *Empires* (Cornell University Press, Ithaca, 1986), p. 353.

- 4 Michael Mann, *The Sources of Social Power*, vol. 1 (Cambridge University Press, New York, 1986).
- 5 Susan Strange, *Casino Capitalism* (Basil Blackwell, New York, 1986).
- 6 David P. Calleo, *The Imperious Economy* (Harvard University Press, Cambridge, Mass., 1962).
- 7 Robert Gilpin, *The Political Economy of International Relations* (Princeton University Press, Princeton, New Jersey, 1987), p. 345.
- 8 Susan Strange, *States and Markets* (Frances Pinter, London, 1988).
- 9 Henry Kissinger and Cyrus Vance, 'Bipartisan Objectives for American Foreign Policy', *Foreign Affairs*, 66: 5 (Summer 1988), pp. 899-921.