

# Postscript to the Second Edition of *The Long Twentieth Century*\*

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The first edition of *The Long Twentieth Century*, published in 1994, advanced three main propositions. The purpose of this postscript is to clarify the meaning of these three propositions and assess their usefulness in monitoring the evolving situation of the global political economy over the fifteen years since they were first advanced.

The first proposition is that the financial expansion that came to characterize the global economy in the closing decades of the twentieth century was not a new phenomenon but a recurrent tendency of historical capitalism from its earliest beginnings. If past tendencies are any guide to the present and future, we could expect that the financial expansion would temporarily restore the fortunes of the leading capitalist agency of the epoch, the United States, but would eventually result in a change of leadership in the center of capital accumulation on a world scale. Borrowing expressions from Gerhard Mensch (1979: 73), I designated the beginning of each financial expansion as the “signal crisis,” and the end of each financial expansion as the “terminal crisis” of the dominant regime of accumulation. In the way I used these expressions, the signal crisis – that is, the switch from trade and production to financial intermediation and speculation – is a sign that the possibility of continuing to profit from the reinvestment of capital in the material expansion of the world economy has reached its limits. Although financialization enables its promoters and organizers to prolong their leadership in the world economy, historically it has always been the prelude to the terminal crisis of the dominant regime of accumulation, that is, to its collapse and supersession by a new regime.

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The second proposition is that financial expansions are not merely recurrent (cyclical) phenomena but also moments of fundamental reorganization of the regime of accumulation. Through successive reorganizations of this kind, capitalism moved to global dominion and progressively gained in reach and penetration. Financial expansions, in other words, have been accompanied by the emergence of agencies of capital accumulation on a world scale more powerful than their predecessors, both financially and militarily.

The third proposition is that the dynamic of world capitalism has not only changed over time but has made the financial expansion of the late twentieth century anomalous in key respects. A critical anomaly is the unprecedented bifurcation of financial and military power, which, I argued, could develop in one of three directions: the formation of a world empire; the formation of a non-capitalist world economy; or a situation of endless systemic chaos.

### The Logic of Financial Expansions

In the conceptualization of financial expansions advanced in *The Long Twentieth Century*, material expansions eventually lead to an over-accumulation of capital, which in turn leads capitalist organizations to invade one another's spheres of operation. The division of labor that previously defined the terms of their mutual cooperation breaks down, and increasingly, competition turns from a positive-sum into a zero-sum (or even a negative-sum) game. By accentuating the overall tendency of profit margins in trade and production to fall, cutthroat competition strengthens the disposition of capitalist agencies to keep in liquid form a growing proportion of their incoming cash flow. It thereby consolidates what we may call the "supply" conditions of financial expansions. Thus, as Greta Krippner (2005) has shown, not only had the share of total US corporate profits accounted for by finance, insurance and real estate in the 1980s nearly caught up with, and in the 1990s, surpassed the share accounted for by manufacturing; more important, *non-financial firms themselves* had sharply increased their investment in financial assets relative to those in plant and equipment.

Sustained financial expansions materialize only when the capitalist agencies' preference for greater liquidity is matched by adequate "demand" conditions. Historically, the crucial factor in creating the demand conditions of financial expansions has been an intensification of interstate competition for mobile capital – a competition that Max Weber (1978: 354; also, 1961: 249) has called "the world-historical distinctiveness of [the modern] era." The occurrence of financial expansions in periods of particularly intense

interstate competition for mobile capital is no historical accident. Rather, it can be traced to the tendency of territorial organizations to respond to the tighter budget constraints that ensue from the slowdown in the expansion of trade and production by competing intensely with one another for the capital that accumulates in financial markets. This tendency brings about massive, system-wide redistributions of income and wealth from all kinds of communities to the agencies that control mobile capital, thereby inflating and sustaining the profitability of financial deals largely divorced from trade and production. All the *belles époques* of finance capitalism – from Renaissance Florence to the Reagan and Clinton eras – have been characterized by redistributions of this kind (see pp. 12–13, 325–6; also Arrighi and Silver 1999: especially ch. 3; Silver 2003, ch. 4).

The concept of financial expansions developed in *The Long Twentieth Century* builds on Braudel's observation that financial expansions are a sign of maturity of a particular phase of capitalist development. In discussing the withdrawal of the Dutch from commerce around 1740 to become "the bankers of Europe," Braudel suggests that this withdrawal is a recurrent world-systemic tendency. The same tendency had already been in evidence in fifteenth century Italy, and again around 1560, when the leading groups of the Genoese business diaspora gradually withdrew from commerce to exercise a seventy-year rule over European finances "that was so discreet and sophisticated that historians for a long time failed to notice it." After the Dutch, the English replicated the tendency during and after the Great Depression of 1873–96, when the end of "the fantastic venture of the industrial revolution" created an overabundance of money capital (Braudel 1984: 157, 164, 242–3, 246). I argued that the late-twentieth century "rebirth" of finance capital – that followed the equally "fantastic venture" of so-called Fordism-Keynesianism – was yet another instance of that recurrent reversal to "eclecticism," which in the past had been associated with the maturity of a major capitalist development.

I combined Braudel's observations on financial expansions with Marx's observation that the credit system has been a key instrument for the transfer of surplus capital from declining to rising centers of capitalist trade and production. Since Marx's core argument in *Capital* abstracts from the role of states in processes of capital accumulation, national debts and the alienation of the assets and future revenues of states are dealt with under the rubric of "primitive accumulation," that is, "an accumulation not the result of the capitalist mode of production, but its starting point" (Marx 1959: 713, 754–5). This conceptualization prevented Marx from appreciating, as Weber did, the continuing significance of national debts in a capitalist system embedded in states continually competing with one another for mobile capital. Nevertheless, Marx was aware of the recurrent role played by national debts in "starting" capital accumulation over and over again

across the space-time of world capitalism from its inception through his own days. Thus Marx observed a historical sequence starting with Venice, which “in her decadence” lent large sums of money to Holland; followed by Holland lending out “enormous amounts of capital, especially to its great rival England” when the former “ceased to be the nation preponderant in commerce and industry”; and finally England, which was doing the same vis-à-vis the United States in Marx’s own day (Marx 1959: 755–6).

Marx never developed the theoretical implications of this historical observation. In spite of the considerable space dedicated to “money-dealing capital” in the third volume of *Capital*, he never rescued national debts and the alienation of the state from their confinement to the mechanisms of an accumulation that is “not the result of the capitalist mode of production but its starting point.” And yet, in his own historical observation, what appears as a “starting point” in one center (Holland, England, the United States) is at the same time the “end point” of long periods of capital accumulation in previously established centers (Venice, Holland, England). To use Braudel’s imagery, each and every financial expansion is simultaneously the “autumn” of a capitalist development of world-historical significance that has reached its limits in one place and the “spring” of a development of even greater significance that is beginning in another place.

A similar tendency has been in evidence over the last fifteen years. However, as I noted in the Introduction, quoting Joel Kotkin and Yoriko Kishimoto (1988: 123), “in a stunning reversal of Marx’s dictum, the United States is not following the pattern of other capital-exporting empires (Venice, Holland, Great Britain), but now is attracting a new wave of overseas investment.” Once China displaced Japan as the leader of the East Asian economic expansion in the 1990s and 2000s, the reversal became less marked, because US corporations have invested in China to a far greater extent than they ever did in Japan. It remains nonetheless true that the flows of capital from the rising (East Asian) to the declining (US) centers of capital accumulation continue to exceed the flows going in the opposite direction – an anomaly of the latest financial expansion that we will return to in the following pages.

### Cyclical and Evolutionary Patterns of Historical Capitalism

The similarities among systemic cycles of accumulation – each consisting of the emergence of a new regime in the course of the financial expansion of an old regime – has led some readers to attribute to *The Long Twentieth Century* a strictly cyclical argument in which, in the words of Michael Hardt and Antonio Negri (2000: 239), “it is impossible to recognize a rupture of the system, a paradigm shift, an event. Instead, everything

must always return, and the history of capitalism thus becomes the eternal return of the same” (see also Detti 2003: 551–2). In reality, the book’s emphasis on the recurrence of financial expansions neither prevents us from recognizing systemic ruptures and paradigm shifts, nor is it meant to depict the history of capitalism as an eternal return of the same. On the contrary, it is meant to show that fundamental reorganizations of the system occur precisely when the “same” (in the form of recurrent financial expansions) appears to return.

Indeed, the book’s comparison of successive systemic cycles of accumulation showed that the agencies, strategies and structures of the successive cycles are different; moreover, their sequence describes an evolutionary pattern towards regimes of increasing size, scope and complexity. Figure P.1 sums up this historical pattern of evolution, focusing on the “containers of power” that have housed the “headquarters” of the leading capitalist agencies of the successive regimes: the Republic of Genoa, the United Provinces, the United Kingdom, and the United States.

Leading Governmental Organization	Regime Type/Cycle		Costs Internalized			
	Extensive	Intensive	Protection	Production	Transaction	Reproduction
World-state		US	Yes	Yes	Yes	No
Nation-state	British		Yes	Yes	No	No
		Dutch	Yes	No	No	No
City-state	Genoese		No	No	No	No

P.1 Evolutionary Patterns of World Capitalism

At the time of the rise and full expansion of the Genoese regime, the Republic of Genoa was a city-state. It was small in size, simple in organization, deeply divided socially, rather defenseless militarily, and by most criteria a weak state in comparison with all the great powers of the time (see pp. 111–29, 148–55, 223). The United Provinces, in contrast, was a larger and far more complex organization than the Republic of Genoa. At the time of the rise and full expansion of the Dutch regime of accumulation, it was powerful enough to win independence from Imperial Spain, to carve out a highly profitable empire of commercial outposts, and to keep at bay military challenges from England and France. The Dutch capitalist class, like the Genoese before them, was able to turn interstate competition for mobile capital into an engine for the expansion of its own capital. But the Dutch were able to do so without having to “buy” protection from territorial states, as the Genoese had done through a relationship of political exchange with Iberian rulers. The Dutch regime, in other words, “internalized” the protection costs that the Genoese had “externalized,” as figure P.1 shows (see pp. 37–48, 129–62, 223).

At the time of the rise and full expansion of the British regime of accumulation, the United Kingdom was a fully developed national state with a world-encompassing commercial and territorial empire that gave its ruling groups and its capitalist class an unprecedented command over the world’s human and natural resources. Like the Dutch, the British capitalist class did not need to rely on foreign powers for protection; but it also did not need to rely on others for most of the agro-industrial production on which the profitability of its commercial activities rested. If the Dutch regime relative to the Genoese had internalized protection costs, the British regime relative to the Dutch had internalized production costs as well (see pp. 48–59; 179–218, 223–4).

Finally, the United States was a continental military-industrial complex with the power to provide effective protection for itself and its allies and to make credible threats of economic strangulation or military annihilation towards its enemies. This power, combined with the size, insularity, and natural wealth of the United States, enabled its capitalist class to internalize not just protection and production costs – as the British capitalist class had already done – but transaction costs as well, that is to say, the markets on which the self-expansion of its capital depended (see pp. 59–75, 224 and chapter 4).

This steady increase in the size, scope and complexity of successive regimes of capital accumulation on a world scale is somewhat obscured by another feature of the historical sequence of these regimes. As shown in figure P.1, there has been a pendulum-like swing back and forth between “extensive” and “intensive” regimes of accumulation, with a corresponding alternation between “cosmopolitan-imperial” and “corporate-national” organizational structures. Each step forward in

the process of internalization of costs by a new regime of accumulation involved a revival of governmental and business strategies and structures that had been superseded by the preceding regime (see pp. 58–9, 71–2, 224–5, 251–77, 339–41).

Thus, the internalization of protection costs by the Dutch regime in comparison with the Genoese regime occurred through a revival of the strategies and structures of Venetian state monopoly capitalism that the Genoese regime had superseded. Similarly, the internalization of production costs by the British regime in comparison with the Dutch regime occurred through a revival in new and more complex forms of the strategies and structures of Genoese cosmopolitan capitalism and Iberian global territorialism. And the same pattern recurred once again with the rise and full expansion of the US regime, which internalized transaction costs by reviving in new and more complex forms the strategies and structures of Dutch corporate capitalism.

A third element of the evolutionary pattern identified in *The Long Twentieth Century* is a successive shortening of the duration of each systemic cycle of accumulation. While the governmental and business organizations leading each cycle have become more powerful and complex, the life-cycles of the regimes of accumulation have become shorter. The time that it has taken for each regime to emerge out of the crisis of the preceding dominant regime, to become itself dominant, and to attain its limits (as signaled by the beginning of a new financial expansion) was less than half, both in the case of the British regime relative to the Genoese and in the case of the US regime relative to the Dutch (see pp. 225–6).

This pattern of capitalist development whereby an increase in the power of regimes of accumulation is associated with a decrease in their duration, calls to mind Marx's contention that "*the real barrier of capitalist production is capital itself*" and that capitalist production continually overcomes its immanent barriers "only by means which again place these barriers in its way on a more formidable scale" (Marx 1962: 244–5, emphasis in the original). I argued that this contradiction should be reformulated in more general terms. For Marx applied it only to capitalism as a "mode of production" – that is, with the internalization of production costs in the British stage of development. And yet, the principle that the real barrier of capitalist development is capital itself was clearly at work already in the Genoese and Dutch stages of development.

In both the Genoese and Dutch stages, the starting and closing point of the expansion of world trade and production was the pursuit of profit as an end in itself on the part of a particular capitalist agency. In the first stage, the "Great Discoveries," the organization of long-distance trade within and across the boundaries of the far-flung Iberian empire(s), and the creation of an embryonic "world market" in Antwerp, Lyons and Seville were to

Genoese capital mere means of its own self-expansion. And when around 1560 these means no longer served this purpose, Genoese capital promptly pulled out of trade to specialize in high finance. Likewise, the undertaking of carrying trade among separate and often distant political jurisdictions, the centralization of entrepôt trade in Amsterdam and of high-value-added industries in Holland, the creation of a worldwide network of commercial outposts and exchanges, and the “production” of whatever protection was required by all these activities, were to Dutch capital mere means of its own self-expansion. And again, when around 1740 these means no longer served this purpose, Dutch capital abandoned them in favor of a more thorough specialization in high finance.

From this angle of vision, in the nineteenth century British capital simply repeated a pattern that had been established long before historical capitalism as mode of accumulation had become also a mode of production. The only difference was that, in addition to carrying, entrepôt, and other kinds of long-distance and short-distance trade and related protection and production activities, in the British cycle extractive and manufacturing activities – that is, what we may call production in a narrow sense – had become critical means of the self-expansion of capital. But around 1870, when production and related trade activities no longer served this purpose, British capital moved towards specialization in financial speculation and intermediation, as fast as Dutch capital had done 130 years earlier and Genoese capital 310 years earlier, and US capital would do 100 years later (see pp. 225–7).

The essence of the contradiction is that in all instances the expansion of world trade and production is a mere means in endeavors aimed primarily at increasing the value of capital, and yet, over time, it tends to drive down the rate of profit and thereby curtail the value of capital. Thanks to their continuing centrality in networks of high finance, the established organizing centers are best positioned to turn the intensifying competition for mobile capital to their advantage, and thereby restore their profits and power at the expense of the rest of the system. From this point of view, the restoration of US profits and power in the 1990s follows a pattern that has been typical of world capitalism from its earliest beginnings. The question that remains open is whether this restoration will be followed, as it has been in the past, by the replacement of the still dominant (US) regime by another regime.

### The Bifurcation of Financial and Military Power

If the future of world capitalism were fully inscribed in the patterns summarized in the previous pages, the task of forecasting what to



expect would be straightforward. First, within half a century or so after its signal crisis of the early 1970s, the US regime would experience its terminal crisis. Second, over time (let us say, in another twenty or thirty years) the crisis would be superseded by the formation of a new regime capable of sustaining a new material expansion of the world economy. Third, the leading governmental organization of this new regime would approximate the features of a world-state more closely than the United States already has. Fourth, unlike the US regime, the new regime would be of the extensive (cosmopolitan-imperial) rather than of the intensive (corporate-national) variety. Finally, and most important, the new regime would internalize the costs of reproducing both human life and nature, which the US regime has tended to externalize.

We cannot rule out that some of these expectations will actually be fulfilled. Indeed, in *Adam Smith in Beijing*, I have argued that the first has already materialized and the second may be in the process of doing so. The unraveling of the neoconservative Project for a New American Century has for all practical purposes resulted in the terminal crisis of US hegemony – that is, in its transformation into mere domination. At the same time, the most important unintended consequence of the Iraq adventure has been the consolidation of the tendency towards the re-centering of the global economy on East Asia, and within East Asia, on China. While this geographical shift has yet to create the conditions of a new material expansion of the world economy, we cannot rule out that sooner or later it will (Arrighi 2007: ch. 7).

Transitions from one regime to another, however, are not fully inscribed in previously established patterns. Established patterns of recurrence and evolution show that the *succession* of developmental paths that over the centuries has propelled the expansion of world capitalism to its present, all-encompassing global dimensions, has not been a random process. But the emergence of a new developmental path in the course of each and every transition has been contingent upon, and thoroughly shaped by, a range of historical and geographical factors that were themselves transformed and recombined by the competition and struggles that underlie financial expansions.

The patterns that we observe *ex post*, in other words, are as much the outcome of geographical and historical contingencies as they are of historical necessity. In speculating *ex ante* about future outcomes of the present transition, therefore, we must pay equal attention to phenomena that fit into past patterns of recurrence and evolution and to phenomena that do not – that is, to significant anomalies that can be expected to make future outcomes deviate from past patterns. A critical anomaly of the present conjuncture is the unprecedented bifurcation of financial and military power.

As I argued in the Epilogue, although the collapse of the Soviet Union left the United States as the sole military superpower, the waning of Soviet power was accompanied by the waxing of what Bruce Cumings (1993: 25–6) has called the “capitalist archipelago” of East Asia. Japan was by far the biggest among the “islands” of this archipelago. The most important among the other islands were the city-states of Singapore and Hong Kong, the garrison state of Taiwan, and the half national state of South Korea. None of these states were powerful by conventional standards. While Hong Kong and Taiwan were not even sovereign states, the two bigger states – Japan and South Korea – were wholly dependent on the United States not just for military protection but also for much of their energy and food supplies, as well as for the profitable disposal of their manufactures. Contrary to what some reviewers have maintained, I did not suggest that any of these states (including Japan) were poised to replace the United States as the hegemonic power. Nevertheless, the *collective* economic power of the archipelago as the new “workshop” and “cash box” of the world was forcing the traditional centers of capitalist power – Western Europe and North America – to restructure and reorganize their own industries, their own economies, and their own ways of life.

When I wrote the first edition of this book I was not fully aware of the extent and implications of the resurgence of China at the center of the East Asian political economy. I did realize that the resurgence reduced, without eliminating, the bifurcation between (US) military power and (East Asian) financial power. (Indeed, this was the main reason why, in the 1990s, I shifted the focus of my research from East Asia’s “capitalist archipelago” to China – see Arrighi et al. 2003, Arrighi 2007.) And yet, I argued then and still think today, that the kind of bifurcation between (US) military power and (East Asian) economic power that we can observe since the 1980s has no precedent in the annals of capitalist history. It has deprived the West of one of the two most important ingredients of its fortunes over the preceding five hundred years: control over surplus capital. Equally important, if China or East Asia were to become hegemonic in the future, it would be a very different type of hegemony than the Western type of the past five hundred years.

Each of the successive systemic cycles of accumulation has been premised on the formation of ever more powerful blocs of governmental and business organizations endowed with greater capabilities than their preceding blocs to increase the spatial and functional scope of world capitalism. As I argued in the Epilogue, this evolutionary process was reaching its limits because “the state-and-war-making capabilities of the traditional power centers of the capitalist West have gone so far that they can increase further only through the formation of a truly global world-empire.” And yet, the “realization [of such an empire] requires control

over the most prolific sources of world surplus capital – sources which are now located in East Asia.” It was not clear to me then (and it is still not clear now) “by what means the traditional power centers of the West [might] acquire and retain this control.”

I therefore concluded the first edition of this book by sketching not one but three quite different scenarios as possible outcomes of the ongoing crisis of the US regime of accumulation. The United States and its European allies might attempt to use their military superiority to extract a “protection payment” from the emerging capitalist centers of East Asia. If the attempt succeeded, the first truly global empire in world history might come into existence. If no such attempt was made, or if it was made but did not succeed, over time East Asia might have become the center of a world market society buttressed, not by superior military power as in the past, but by the mutual respect of the world’s cultures and civilizations. It was nonetheless also possible that the bifurcation would result in endless worldwide chaos. As I put it then, paraphrasing Joseph Schumpeter, before humanity chokes (or basks) in the dungeon (or paradise) of a Western-centered global empire or of an East Asian-centered world-market society, “it might well burn up in the horrors (or glories) of the escalating violence that has accompanied the liquidation of the Cold War world order.”

### The Crisis of US Hegemony and the Rise of China

All three of the scenarios sketched out in the Epilogue remain possible alternative historical outcomes to the terminal crisis of US hegemony. The bifurcation of military and financial power globally as well as the economic rise of East Asia both continue apace. In a co-authored book published in 1999 entitled *Chaos and Governance in the Modern World System*, Beverly Silver and I argued that the inability of the Japanese economy to recover from the crash of 1990–92 and the East Asian financial crisis of 1997–98 in themselves did not support the conclusion that the rise of East Asia had been a mirage. We noted that in previous hegemonic transitions it was the newly emerging centers of capital accumulation on a world scale that experienced the deepest financial crises, as their financial prowess outstripped their institutional capacity to regulate the massive flows of mobile capital entering and exiting their jurisdictions. This was true of England in the late eighteenth century and even more of the United States in the 1930s. No one would use the Wall Street crash of 1929–31 and the subsequent Depression to argue that the epicenter of global processes of capital accumulation had not been shifting from the United Kingdom to the United States in the first half of the twentieth century. No analogous

conclusion should be drawn from the East Asian financial crises of the 1990s (Arrighi and Silver 1999: especially ch. 1 and Conclusion).

It does not follow, of course, that incumbent financial centers cannot themselves experience financial crises. From this standpoint no generalization seems possible. In the transition from British to US hegemony, the United Kingdom did not experience a financial crisis comparable to that of the United States. In the present transition, by contrast, in 2000–01 and again in 2008–09 the United States has experienced crises at least as serious as the East Asian crises of the 1990s.

Throughout the crises of the 1990s and early 2000s the economic expansion of China continued at rates without parallel or precedent for a territory of comparable demographic size. In *Adam Smith in Beijing* I argued that China's rapid ascent had deep roots, not just in the social and political reconstitution of China in the Cold War era under communism, but also in the achievements of imperial China in state and national economy-making prior to its subordinate incorporation into the European-centered interstate system. More specifically, I argued that China and the overseas Chinese diaspora played an increasingly pivotal role in promoting the region's economic integration and expansion. In doing so, they built upon a long-standing East Asian practice dating back to imperial times – that is, a heavy reliance on trade and markets to regulate relations among sovereigns and between sovereigns and subjects. By the mid-nineteenth century (with the Opium Wars), it became clear that this long-standing practice was ill-suited to prevent the forcible subordination of the China-centered regional system within the European-centered system. In the late twentieth century, however, this historical reliance on trade and markets became the foundation of a renewed competitiveness in the highly integrated global market that emerged under US hegemony (Arrighi 2007: chs. 1 and 12; see also Arrighi and Silver 1999: especially ch. 4).

The growing centrality of China in the global economy has two important implications for the prospective outcome of the ongoing crisis of US hegemony. First, to the extent that this growing centrality is rooted in the region's historical heritage, it can be expected to remain far more robust and exclusive than if it were mainly the result of policies and behavior that could be replicated in other regions of the world economy. Second, given China's demographic size, its economic expansion is far more subversive of the global hierarchy of wealth than all the previous East Asian economic "miracles" put together. For all these miracles (the Japanese included) were instances of upward mobility within a fundamentally stable hierarchy. The hierarchy could and did accommodate the upward mobility of a handful of East Asian states (two of them city-states) accounting for about one-twentieth of the world population. But accommodating the upward mobility of a state that by itself accounts for

about one-fifth of the world population is an altogether different matter. It implies a fundamental subversion of the very pyramidal structure of the hierarchy. Indeed, to the extent that recent research on world income inequality has detected a statistical trend towards declining inter-country inequality since 1980, this is due entirely to the rapid economic growth of China (see, among others, Berry 2005).

Having noted the structurally subversive nature of the continuing economic expansion of China, in *Chaos and Governance* we pointed out two major obstacles to a non-catastrophic transition to a more equitable world order. The first obstacle was US resistance to adjustment and accommodation. Paraphrasing David Calleo, (1987: 142) we noted that the Dutch- and the British-centered world systems had broken down under the impact of two tendencies: the emergence of aggressive new powers, and the attempt of the declining hegemonic power to avoid adjustment and accommodation by cementing its slipping preeminence into an exploitative domination. Writing in 1999, we maintained:

there are no credible aggressive new powers that can provoke the breakdown of the US-centered world system, but the United States has even greater capabilities than Britain did a century ago to convert its declining hegemony into an exploitative domination. If the system eventually breaks down, it will be primarily because of US resistance to adjustment and accommodation. And conversely, US adjustment and accommodation to the rising economic power of the East Asian region is an essential condition for a non-catastrophic transition to a new world order (Arrighi and Silver 1999: 288–9).

As noted below, the election of Barack Obama to the US presidency and the attendant redirection of US foreign policy may reduce the severity of this first obstacle to a non-catastrophic transition. Less immediate but equally important, however, is a second obstacle: the still unverified capacity of the agencies of the East Asian economic expansion to “open up a new path of development for themselves and for the world that departs radically from the one that is now at a dead-end.” This would require a fundamental departure from the socially and ecologically unsustainable path of Western development in which the costs for the reproduction of humans and nature have been largely “externalized” (see figure P.1), in important measure by excluding the majority of the world’s population from the benefits of economic development. This is an imposing task whose trajectory will in large part be shaped by pressure from movements of protest and self-protection from below.

In past hegemonic transitions, dominant groups successfully took on the task of fashioning a new world order only after coming under intense pressure

from movements of protest and self-protection from below. This pressure from below has widened and deepened from transition to transition, leading to enlarged social blocs with each new hegemony. Thus, we can expect social contradictions to play a far more decisive role than ever before in shaping both the unfolding transition and whatever new world order eventually emerges out of the impending systemic chaos. (Arrighi and Silver 1999: 289)

One year after this was written, the US-centered “new economy” bubble burst. Shortly afterwards came the shock of September 11, 2001. For a brief moment, it seemed that the United States could preserve its hegemonic role by mobilizing a vast array of governmental and non-governmental forces in the War on Terror. Soon, however, the United States found itself almost completely isolated in waging a war on Iraq that was generally perceived as having little to do with the War on Terror, while defying generally-accepted rules and norms of interstate relations. As *The Long Twentieth Century* and *Chaos and Governance* had both foreseen, the US *belle époque* came to an end and US world hegemony entered what in all likelihood is its terminal crisis. Although the United States remains by far the world’s most powerful state, its relationship to the rest of the world is now best described as one of “domination without hegemony” (Arrighi 2007: 150–1; cf. Guha 1992).

This transformation has been brought about not by the emergence of aggressive new powers but by US resistance to adjustment and accommodation. US attempts to depict Saddam Hussein’s Iraq as an aggressive new power never had much credibility, whereas the national security strategy adopted by the Bush administration in response to September 11 was a far more extreme form of US resistance to adjustment and accommodation than anything envisioned in *The Long Twentieth Century* or in *Chaos and Governance*. Indeed, to a far greater extent than in previous hegemonic transitions, the terminal crisis of US hegemony – if that is what we are observing, as I think we are – has been a case of great power “suicide” (Arrighi 2007: 161–5, 178–210).

Even before the financial meltdown of 2008, I thus interpreted the bursting of the “new economy” bubble in 2000–01, in combination with the failure of the neoconservative response to September 11, as marking the terminal crisis of US hegemony. The meltdown of 2008 simply confirmed the validity of this interpretation. It is not clear what the Obama administration can do to slow down, let alone reverse, the crisis. Although Obama may be as capable a president as Franklin Roosevelt, there is a fundamental difference between the situations faced by their respective administrations. While under Roosevelt the United States had become the world’s leading creditor nation, Obama has inherited

a situation in which the United States has become the world's leading debtor nation. This difference imposes constraints on the capacity of the Obama administration to pursue Keynesian policies at home or hegemonic policies abroad that are far more stringent than anything experienced by the Roosevelt administration.

Notwithstanding these developments, the three post-US hegemony scenarios sketched in the Epilogue of this book all remain historical possibilities. Although the Project for a New American Century adopted by the Bush administration has failed utterly, this is not the project of world empire envisioned in *The Long Twentieth Century*. The world empire envisioned in *The Long Twentieth Century* as a possible post-US hegemony scenario was a collective Western project. The idea that the United States would embark on a project of world empire virtually alone was deemed too foolish to be worth considering. The failure of this course of action, of course, does not rule out the possibility that a reconstituted Western alliance will engage in a more realistic multilateral imperial project. Indeed, the very failure of the US unilateral project may create more favorable conditions for the emergence of a collective Western project.

While a Western dominated universal empire remains a possibility, an East Asian-centered world market society appears today a far more likely outcome of present transformations of the global political economy than it did fifteen years ago. As I have argued in *Adam Smith in Beijing*, China has emerged as an increasingly credible alternative to US leadership in the East Asia region and beyond. While the US was bogged down in Iraq, China continued to grow at a rapid pace, acquiring financial reserves and friends throughout the world as quickly as the United States was losing them. Although key sectors of the Chinese economy still depend heavily on exports to the US market, the dependence of US wealth and power on the import of cheap Chinese commodities and Chinese purchases of US Treasury bonds is just as great if not greater. More important, China has begun replacing the United States as the main driving force of commercial and economic expansion in East Asia and beyond (Arrighi 2007: especially chs. 7, 10, and 12).

The growing economic weight of China in the global political economy does not in itself guarantee the emergence of an East Asia-centered world market society based on the mutual respect of the world's cultures and civilizations. As noted above, such an outcome presupposes a radically different model of development that, among other things, is socially and ecologically sustainable and that provides the global South with a more equitable alternative to continuing Western domination. All previous hegemonic transitions were characterized by long periods of systemic

chaos, and this remains a possible alternative outcome. Which of the alternative future scenarios set out in *The Long Twentieth Century* will materialize remains an open question whose answer will be determined by our collective human agency.

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