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Scalar Imperialism

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Dissertation submitted to the
Eberly College of Arts and Sciences
at West Virginia University
in partial fulfillment of the requirements
for the degree of

Doctor of Philosophy
in
Geography

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ABSTRACT

Scalar Imperialism

Janice M. Hardin

The dual research goals of this dissertation are to first develop the geographic concept 'scalar imperialism' and use scalar imperialism to re-examine the expansion and continued superiority of Western capitalism in four systemic cycles of accumulation. Scalar imperialism is a concept that melds theories on the social production of scale with the dialectical relations between capitalism, imperialism, and the state. One significant aim of this research study is to bring imperialism back into the critical discussion on the social production of space, scale, and social relations under a globalized capitalist system. This research study adopts a long historical perspective and re-examines four hegemonic phases of capital accumulation, their broad scale changes and scalar relationality, and the concomitant scalar expansion of capitalism into a global system. The aim of this research is to better understand the production of spatial scale by hegemonic regimes that have expanded Western capitalism from its origins in fifteenth century Italian city-states to a world-wide system of economy under which geographical landscapes and social relations are persistently made and re-made to fit the needs of capitalism, capitalists, and capitalist states. Under the leadership of Italian merchant bankers to the Dutch, English and Americans, capitalism as a world system has expanded and dominated the social production of space, scale, and social relations. A vital characteristic in this expansion of capitalism is the use of imperialistic processes by both the hegemon and its subordinates to overcome barriers and contradictions in capital accumulation. While imperialism is internally related to the continued expansion and growth of capitalism, imperialistic activities also undermine the systemic health of capitalism by causing and deepening conflicts among states that disrupt the capitalist world-economy. Both contradiction and instability in the capitalist world-economy and its associated socio-political systems have historically driven the expansion of capitalism, but it has been an uneven process in which high finance and systemic chaos play prominent roles. For the purposes of this research, the examination of past hegemonic government-business complexes is relatively straight-forward, because the violence and turbulence in these periods are in the past. The case of the current hegemonic state – the United States – is an altogether different matter. The position taken in this study is that the U.S. has already undergone expansion, unsuccessfully battled contradiction, turned to financialization, and is tending towards systemic chaos. Material and discursive scale is the dynamic and malleable expression of social processes and relations. A scalar imperialism concept employs scale as the expression of the turbulent dialectical relations between capitalism, imperialism, and the state.

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Summary of Chapters

Statement of Research Goals

Capitalism is the dominant form of economy in the world today. Its status as the dominant form of economy is not an ontological given, so how did it become so pervasive, accepted, and powerful? The aim of this research is to better understand the production of spatial scale by hegemonic regimes that have expanded Western capitalism from its origins in fifteenth century Italian city-states to a world-wide system of economy under which geographical landscapes and social relations are persistently made and re-made to fit the needs of capitalism, capitalists, and capitalist states. Under the leadership of Italian merchant bankers to the Dutch, English and Americans, capitalism as a world system has dominated the social production of space, scale, and social relations.

A vital characteristic in this expansion of capitalism is the use of imperialistic processes by both the hegemon and its subordinates to overcome barriers and contradictions in capital accumulation. Both contradiction and instability in the capitalist world-economy and its associated socio-political systems have historically driven the expansion of capitalism, but it has been an uneven process in which systemic chaos plays a prominent role. In the transition periods between successive hegemonic regimes of accumulation, systemic chaos stems from the hegemon's inability to resolve limits in capital accumulation processes at the system-wide scale, and the transition periods have historically been times of intense inter-capitalist and inter-state struggles in which the use of high finance and imperialism have been profligate.

The dual research goals of this dissertation are to first develop the geographic concept 'scalar imperialism' and use scalar imperialism to re-examine the expansion and continued superiority of Western capitalism. To be sure, scale and imperialism share an intimate relationship in the rise of any historical regime to dominance, power, and empire. Scalar imperialism is foundational to the historical expansion of Western capitalism. Based on the historical record and current day events, capitalism needs imperialism to consistently fix the problems encountered in capital accumulation processes.

Western capitalism has needed imperialism from its origins in the northern Italian city-states to the current phase under American hegemony. While imperialism is internally related to the continued expansion and growth of capitalism, imperialistic activities also undermine the systemic health of capitalism by causing and deepening conflicts among states that disrupt the capitalist world-economy. Capitalism and imperialism have this long-standing dialectical relation that will not disappear just because modern day social theorists and pundits have decided to erase the term imperialism from their public vocabularies. In the pre-twentieth century phases of capitalist accumulation, the connection between capitalism, imperialism, and the state was celebrated, but since the dawn of American hegemony this connection has been erased from public discourse.

The history of capitalism is the history of scalar imperialism, and it is a history with a consistent cycle of expansion, contradiction, financialization, chaos, and resolution. The underlying problem faced by hegemonic states and capitalist agencies that lead an expansionary period in capitalist history is their eventual decay and subordination by another government-business complex that can resolve capitalism's contradictions and restore system-wide stability.

For the purposes of this research, the examination of past hegemonic government-business complexes is relatively straight-forward, because the violence and turbulence in these periods are in the past. The case of the current hegemonic state – the United States – is an altogether different matter. The position taken in this study is that the U.S. has already undergone expansion, unsuccessfully battled contradiction, turned to financialization, and is tending towards systemic chaos.

Analyzing the past phases and their variations in scalar imperialism as well as their inevitable decay and subordination, is crucial for situating the current problems faced by the U.S. and barriers in the capitalist world-economy. What is happening in the U.S. case needs to be situated within the longer and broader context of historical capitalism and the pattern of recurrent systemic chaos and the eventual resolution by a government-business complex that can solve capitalism's contradictions and restore system-wide stability. The most disquieting aspect of this process as evidenced by capitalism's long term history is the internal relation between capitalism and imperialism.

Scalar imperialism is a concept that melds theories on the social production of scale with the dialectical relations between capitalism, imperialism, and the state. This research study adopts a long historical perspective and re-examines four hegemonic phases of capital accumulation, their broad scale changes, and the concomitant scalar expansion of capitalism into a global system. Material and discursive scale is the dynamic and malleable expression of social processes and relations. A scalar imperialism concept employs scale as the expression of the turbulent dialectical relations between capitalism, imperialism, and the state.

Four Regimes of Accumulation

This research study relies extensively on Fernand Braudel and Giovanni Arrighi's identification and analysis of four main systemic cycles or 'long centuries' during which the capitalist form of economy developed and expanded across the globe (Arrighi 1994).[1] These systemic cycles are successive, yet the time between the disintegration of one regime and the formation of the next regime is characterized by capitalist crisis, restructuring, and reorganization. These periods of discontinuous change are a large part of capitalism's history. Listed below are Braudel and Arrighi's successive regimes of accumulation and their corresponding time periods. Also listed are dates when these hegemonic powers favored finance capital (also called financialization). Notably, the 1400s was dominated by finance capital in the northern Italian city-states.

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[1] Arrighi relays that these systemic cycles or long centuries are constructed, both factually and theoretically. His comparative analysis furthers Philip McMichael's procedure of 'incorporating comparison' (Arrighi 1994, 23).

1. The Genoese long century lasted from the fifteenth century to the early seventeenth century, and financialization began around 1560.
2. The Dutch / United Provinces' long century began in the late sixteenth century and carried through for most of the eighteenth century, and financialization began around 1740.
3. Great Britain's long century started in the second half of the eighteenth century and began its decline in the early twentieth century, and financialization began in the late 1860s.
4. The United States' long century began in the late nineteenth century and it is the current regime of accumulation, and financialization began in the 1970s.

Each of Braudel and Arrighi's hegemonic government-business complexes used both scale and imperialism to make and re-make particular forms of social, economic, political, and geographical order. As they struggled to re-make their world, the leading bankers, financiers, businessmen, and statesmen cast capitalist enterprise as their most valuable player on the field of economic and political rivalry. Obviously, these regimes (definitely the first three) decline, but capitalism persisted and expanded under the auspices of the next regime. Significant transformations occur in those periods of crisis that connect each successive regime with the expansion of a capitalist system. A critical understanding of the social production of spatial scale in these times characterized by capitalist crisis and resolution can shed light on the overall pattern of capitalism as a system and its seeming need to succeed by association with ever-larger political spaces of capital accumulation.

These transition times are characterized by capitalist crisis, the primacy of finance capital, and inter-state power struggles which inhere imperialistic activities. A scalar imperialism concept applied over a long historical perspective can show the variations of scalar imperialism in capitalist history. The regimes that became hegemonic sought wealth and empire, typically for their own narrow national and commercial interests, but over time they created a globe-encompassing, earth-dominating, exploitative empire of capitalism.

The Production of Spatial Scale under Capitalism

The Social Production of Space, Scale & Social Relations

To begin to grasp the ways in which powerful government-business complexes have structured the world and social relations both past and present to perpetuate a capitalist system, a deeper and broader understanding space and society is needed. A pivotal epistemological foundation for the theorization of scale in the politics of scale literature is social philosopher Henri Lefebvre's conceptualization of the social production of space. Lefebvre opened the theoretical door to conceptualize the social production of spatial scale as a social process that not only differentiates space, but produces scalar structures (material and discursive) amiable to states and capitalism. A primary focus in the politics of scale literature is analyzing the role of the state and capital in the making and re-making of spatial scale and social relations under a globalizing capitalist system.

Lefebvre's (1974 /1991) theoretical contribution to geography is his "rethink[ing] the dialectic in terms of space" and his theorization of capitalism and the state through the "neglected sieve of space" (Smith 2003, ix). Lefebvre joined social theory with space, and, in part, ushered in a new era in geographic thinking on space, social relations, and the production of spatial scale. He argued that "Social relations, which are concrete abstractions, have no real existence save in and through space. *Their underpinning is spatial"* (Original emphasis 1991, 404). Space is socially produced, and it is both mental and physical constructions.

For example, Lefebvre (2003) theorizes the social production of state space. States (political states) occupy national territories, they have a hierarchy of bureaucratic institutions, laws, and social conventions, and they exist in the minds and real life experiences of people. States, in their production of space, maintain the social relations of production under capitalism and also maintain hierarchies of dominance in the material landscape and in society. In the production of state political space, state officials are first and foremost creating an economic and social space; they are creating a very particular order of their own (Lefebvre 2003, 87).

The idea that space is socially produced means that scale is also socially produced because space is always scaled. Rigid, hierarchical, and physical notions of geographic scale permeated geographic research, but in the past quarter century or so the notion of scale has undergone dramatic transformation. The current consensus in the politics of scale literature conceptualizes scale as the outcome of social processes. Neil Brenner summarizes that scales are "best understood as socially produced, and therefore malleable, dimensions of particular social processes," such as capitalist production, state regulation, sociopolitical struggle and social reproduction (Brenner 2004, 9-10).

Geographers need to study the social processes transformative of geographic scale to genuinely understand their world. The epistemology launched by Lefebvre and taken up by geographers such as David Harvey and Neil Smith (among many others) has created a vital way to comprehend and dissect the naturalized and entrenched structures of the state and capitalism in history and current struggles.

A significant gap in scale research is the analysis of imperialism. From the historical perspective and from a modern day perspective, imperialistic activities on the part of government-business complexes have played a major role in the social production of scale under capitalism. As unfashionable as imperialism has become, imperialistic activities conjoined with capitalism make up a core motor of the social processes that have formed and structured the material landscape and social relations.

Marxist Materialism & Dialectics

Lefebvre initiated a theoretical focus on the production of space and the social processes transformative of space operating under a capitalist form of economy. However, Lefebvre departs from other Marxist thinkers and rejects economy, or economic transformation, as the only 'base' for understanding things considered 'superstructure'.[2]

Reductionism to all things economic is a dangerous theoretical misstep. Marxist materialism[3], in general, focuses on how economic structures and their given social

[2] At the core of Marx's political economy is the economic base, the forces of production (the things people use to produce as well as the social groups people form for work) and the relations of production (the class inequalities between capitalists who control surplus value and the workers). Superstructure is comprised of legal and political systems (the juridico-political superstructure) that regulate society (reproducing inequalities) and ideological superstructure (of religion, philosophy, and cosmology) that rationalize and naturalize inequalities (Wilk 1996, 86).

[3] Karl Marx's (1818-1883) lived on the heels of the Enlightenment during which understanding history from an idealist perspective reigned supreme. Idealism held that peoples' ideas and beliefs, which gradually changed over time through learning and experience, was the motor for change in society (and thus history). Marx reversed things and said that "history had to be understood primarily in material terms, by looking at systems of production, at real people involved in struggle over the products of labor." He sought to explain how the "material basis of society moved history." He also argued that ideas are social constructions (by classes, economic structures, and social position), and that ideas legitimize economic structures rather than causing economic structures. Marx brought politics back into the study of economy. He radically reinterpreted how social theorists should understand society –

relationships of production in the real (material) world affect social change (Unwin 1992, Shaw 1991). Thinkers in the Marxist historical materialism vein would hold that the economic development of society is the main force driving major historical events. Historical materialism does not purpot to explain everything in human history (Shaw 1991, 234).[4] Marx emphasized that human relationships are part of the base, and all parts of society are constantly interacting. Therefore the existence of contradiction and conflict and resolution are forever present, underscoring the important ways in which ideas and ideology (superstructure) are used to amerliorate crises, whether economic, political or crises of legitmacy (Wilk 1996, 87).

Marxist materialism and dialectics are closely entwined. In Marxian political economy, the term dialectic identifies "a kind of reciprocal causation between opposing forces or ideas that moves a system, such as capitalism, forward in time" (Wilk 1996, 141). Dialectical relationships are characterized by internal relations and contradiction. Internal relations are necessary and essential, but they also are contradictory and oppositional. Contradiction is "the incompatible development of different elements within the same relation, which is to say between elements that are also dependent on one another" (Ollman 1993, 15). The paths of development of differences intersect in mutually beneficial ways as well as ways that block, interfere and undermine. For dialectical thinkers, contradiction lies at the heart of understanding capitalism, and all change in capitalism, including its expansion, stems from capitalism's inner contradictions.

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as classes defined by their (lack of) property holdings and their type of work. These classes are defined by their economic interests and these interests often clash (Wilk 1996, 83-9).

[4] In the politics of scale literature, Sallie Marston's (Marston 2004; Marston and Smith 2001) critique of the scale literature – that it overly focuses on the the relations of production and neglects the role of processes of social reproduction – illustrates a widening of its materialist foundations. She argues that capital accumulation rests on both economic production and social reproduction, although one may be more important than the other in a given particular context.

The major theoretical objective in this study is to develop the concept scalar imperialism, and the foundational conceptual component is the dialectical relation between capitalism and imperialism. Capitalism and imperialism exist in mutually beneficial ways – they have to in order for the scale, scope, and pace of capitalism to continually increase. Nonetheless, capitalism and imperialism exist in contradictory ways that wreck havoc on the human participants and environments involved in that relation as well as on capitalism itself. Understanding the contradictory nature of the capitalism – imperialism relation, will help illuminate how the consistent cycle of expansion, contradiction, financialization, chaos, and resolution link each successive regime of accumulation together into the main forces driving major historical events in human history and change in capitalism's history.

Financialization is the key harbinger of change that initiates the transition period that results in a resolution, in changes that allow for continued expansion in the capitalist world-economy. Arrighi (1994, 5) explains Marx's theorization of capitalism's inner contradictions pace Braudel's understanding of capitalism over its entire lifetime. In Marx's MCM' formula money capital (M) refers to liquidity, flexibility, freedom of choice. Commodity capital (C) is the investment of capital in input-output combinations to produce profits. Capital becomes fixed in the landscape and human relations, a situation that 'specializes' capital and inhibits all of the qualities associated with money capital (M). M' is what capitalists are truly after – the "expanded liquidity, flexibility, and freedom of choice," they just have to use commodity capital (C) to achieve it.

The tensions between 'fixity and motion' are never resolved because of capitalists' preference for liquidity. In capitalism's long history, the tendency to revert to finance capital, represented as M-M', is ever-present, what Braudel calls 'a recurrent world-systemic tendency.' Financialization increases volatility, and volatility increases capitalists' opportunities for M-M' and the leading government-business complex profiting from the dominance of M-M' has no impetus to return to MCM'. Each successive long century succeeds by solving the contradictions and fixing the turbulence and volatility created in the previous phase's turn to financialization, which usually involves an intensification of imperial strategies by hegemonic and rival government-business complexes.

Politics of scales, at their core, are about the tensions, struggles, and outcomes of the social relations in the capital accumulation process, which reproduce the social relations of accumulation and re-makes spatial scale.[5] Between each of Braudel and Arrighi's four hegemonic regimes of accumulation are transition periods of crisis and struggle. These crises and struggles are social, political, and economic, and to be sure, imperialism plays a pivotal role in the struggle over re-making these social relations, spaces, and scales. New scales emphasize the winners and losers of the changing dominant social relations of production under capitalism as well as the changes in capitalism itself. This research study is dealing with broad scale historical events in the history of states and capitalism, and Marxist historical materialism and dialectics are valuable approaches.

[5] While the politics of scale literature is conceptually focused, the breadth of case studies is quite diverse. For example, see (Agnew 1997) (Brenner 1999) (Brenner 1998) (Collinge 1999) (Cox 1998) (Gough 2004) (Herod 1991) (Howitt 1998) (Kelly 1999) (Kelly 1997) (Leitner 2004) (Marston and Smith 2001) (Smith 1997) (Swyngedouw 2000).

Scalar Imperialism

From the existing politics of scale literature, geographers agree that the social production of spatial scale is a contentious and politicized process. This process is bound up with political space (material and social), what is usually labeled state space or state social space. This scaling process is also dominated by the economic imperatives and contradictions in capitalism. The social production of spatial scale creates (1) differentiated geographies and (2) structures the social relations of production in order to reproduce the dominant system and its hierarchies.

From Braudel and Arrighi, a longer history of capitalism and its associated political spaces (states) comes to light. Capitalism did not just appear on the scene with nineteenth century British industrialism and empire. Capitalism pre-dates the nation state, and, in fact, Braudel and Arrighi's long history of capitalism shows capitalism as a major force on competing political spaces and the rise and rivalry of states. Their long history also shows the way political spaces / states helped transform the spatial scale of capitalism into a world system as these states sought empires.

A scalar imperialism concept theorizes the social production of spatial scale and social relations under the double imperative of capitalism and imperialism – that imperialism is systemic to capitalism and the making and maintaining of empire required very specific kinds of scale productions that proved necessary for the expansion and consolidation of capitalism into a global system. In the history of Western capitalism, four hegemonic regimes of accumulation, the Genoese, the Dutch, the British, and the Americans, achieved the status of capitalist success story, but ultimately they could not successfully control the expansionist logic inherent in the capital accumulation process. The hegemonic regimes that had up to a point monopolized power and privilege eventually lose out and are replaced by another more successful government-business complex. These transition periods are tumultuous and chaotic times. A definitive friction exists as powerful people, classes, organizations, states or empires do not readily relinquish power and privilege. Capitalism is intrinsically expansionary – it requires an ever expanding scale and scope because of its internal contradictions, and therein lays its dialectical relation with imperialism. Scalar imperialism brings scale and imperialism more deeply into an understanding of the long term historical expansion, contradictions, and resolutions of capitalism.

Summary of Chapters

Chapter Two explores the core concepts in Geography and related disciplines that act as the foundation for the concept scalar imperialism. Part 1: Geographical Scale summarizes the theoretical insights in the politics of scale literature. A more critical understanding of scale as a social process and the relationality of scales are the important perspectives in the literature. Part 2: The Relation Between the State and Capital examines the dialectical relationship between the state and capital through a series of related conceptual contributions, drawing from the uneven geographical development literature, Harvey's concept spatio-temporal fix, Arrighi's delineation of a capitalist and territorialist logic power inside the state apparatus, Harvey's conceptualization of duality in capitalism, and Arrighi's formulation of systemic cycles with an emphasis on understanding financialization and phases of discontinuity. Part 3:

Imperialism explores the challenges in bringing imperialism back into a critical discussion about capitalism and hegemonic states in Western thought. Static conceptualizations of imperialism are abandoned in favor of elastic, context-driven formulations of imperialism.

Chapter Three summarizes two main sets of methodological approaches used in this research. The overarching approach guiding this research study is dialectics as dialectical relationships comprise the conceptual weight of this research study. The main elements of a Marxian dialectical approach are reviewed. A second methodological approach employs Andrew Sayer and Eric Wolf's methods to balance theory and case material in the presentation of a conceptually informed analysis.

Chapter Four makes the case for scalar imperialism. Conceptualizing scalar imperialism ranges from exploring the dialectical relations between capitalism and imperialism to how this relation works under the dialectical relations of the state and capital. Also, a scalar imperialism concept illustrates the relationality of the hegemonic regimes' scalar productions over an expansive timeline. Each hegemonic government-business complex's production of scale and social relations is internally related, in a broad sense, to the next hegemonic government-business complex's scalar productions.

Chapter Five reinterprets the long history of Western capitalism pace Braudel and Arrighi using the lens of scalar imperialism. The imperial foundations for the emergence of capitalism in the northern Italian region along with the crises in their capital accumulation are covered to set the stage for rise of the first systemic cycle. The first three cycles, the Genoese/Iberians, the Dutch, and British, are re-examined using scalar imperialism as a guide.

Since the 1500s, capitalism and its government-business complexes have relied on imperialistic spatio-temporal fixes, scalar fixes, and accumulation by dispossession to resolve over-accumulation crises in the capitalist system. These regimes created very deep and exploitative patterns of uneven geographical development. These powerful regimes and their scalar productions are internally related as each regime's limits and barriers to capital accumulation were resolved by the next rising regime.

Chapter Six discusses the rise of the fourth systemic cycle, the U.S., and its path through expansion, contradiction, financialization, and chaos. A goal of this research study is to bring imperialism back into the discussion of global politics and economics. Discussing American Empire and its government-business complex's usage of scalar imperialism to gain and retain a hegemonic position in the global capitalist system, forces open a discussion about the modern day use of imperialistic activities and scale productions. America's economic and military empire in the mid-twentieth and early twenty-first centuries is no exception to the long term history of Western dominance and exploitation of the non-Western world to expand and deepen the capitalist system in order to maintain hierarchy and profitability.

Chapter Seven concludes that the history and current issues surrounding Western capitalism clearly illustrate that capitalism *needs* imperialism – that is, that capitalists need a powerful state to coercively create and maintain an empire of hierarchies. These inequitable relations structure exploitative political, economic, and social relations to ensure that they, the leading government-business complex, extract acceptable levels of surplus value from subjugated territories and populations. Imperialism is systemic to historical capitalism as well as to continued Western capital accumulation.

Chapter 2: Conceptual Framework

Part 1: Geographical Scale

Part 2: The Relation between the State and Capital

Part 3: Imperialism

Part 1: Geographical Scale

Introduction

Geographers have achieved a more critical and multi-faceted understanding of the production of scale as a social process. The production of scale is highly contestable and highly politicized process. Neil Smith and Neil Brenner's work on scalar fix helps to better understand the making and re-making of social relations and real landscapes. Kevin Cox and Andrew Mair's concepts of local dependence, spaces of dependence, and spaces of engagement help to illustrate the ways in which agents and organizations can overcome their spatial embeddedness through social networks. Richard Howitt's work on relational scale stretches the scale concept to simultaneously be metaphor, experience, event, moment, relation, and process in order to capture across-scale connections. His work on social inequities emphasizes that the production of scale in the real world is about struggle and winners and losers. Scale sets certain kinds of social relations, often highly inequitable social relations. But scale and social relations are not static, and their innate changeability makes the theorization and study of scale very dynamic.

The Production of Geographic Scale and Spatial Difference

The scale as a social process approach evolved from Neil Smith's seminal publications *Uneven Development: Nature, Capital and the Production of Space* (1984) and "Geography, Difference, and the Politics of Scale" (1992). Smith has contributed the core theorization that the social production of scale is a highly contestable and politicized process. The social production of scale is a continual process that imposes, at least temporarily, particular kinds of geographies and social organization that anchor contentious political, economic, and social relationships.

Early in his work, Smith conceived scale as the criterion of difference between different kinds of places (Smith 1992). The construction of scale is both material product and source of competition and cooperation, encompassing economic, political, and social struggles (Smith 2003). Two important elements of Smith's theorization of scale are: (1) the production of scale arises from the contradictions in capitalism and (2) the production of scale is politicized because the conquest of scale is a major political goal, and this causes social struggle over the making of both scale and social relations (Smith in Herod 2003, 230-231; Smith 2004). Smith emphasizes that geographical scale "is best conceptualized as the always-contested and fragile spatial condensation of contradictory social forces as they seek to contain or enable particular forms of social interaction" (Smith in Brenner et al. 2003, 16).

Sallie Marston's (2004, 173) summary of the social production of scale literature reinforces Smith's central ideas. She relates the following three central tenets:

1. Scales are not pre-existing ontological categories; rather scales are ways of structuring conceptions of reality, and as such "different scales constitute and are themselves constituted through an historical-geographical structure of social interactions."

2. The production of scale is both a material and discursive process. Scales are the "tangible outcome of the practices of everyday life as they articulate with and transform macro-level social structures."
3. The social production of scale is "endemic to capitalism," and it is a political process full of contradiction and contestation, in which social, cultural, and economic forces play important roles in constructing, however temporary, new spatial scales.

Both Smith and Marston reinforce the interconnection between capitalism and the production of scale. Kevin Cox (2003) introduces a concise and basic link between capitalism and scale. The capital accumulation process makes an extremely valuable perspective on the social production of scale, because all of the processes transformative of scale are occurring under the dominant economic system of capitalism. He contends that the "motor of contemporary history, what drives it forward, gives people purpose – is the capital accumulation process" (2003, 7).[6] Territorial projects at any scale and with any sort of class composition are projects that aim "to ensure that value continues to flow through the socio-spatial relations of those formulating and implementing" projects in particular places (2003, 11).

Cox reiterates that scale is an essential dimension of social organization, but only with the development of commodity exchange do relations between scales become both necessary and contradictory. Cox is referring to the contradictions in capitalism – the fixity and mobility of

[6] Cox is quick to note, as Marx argued, that people do not always labor "under conditions of their own choosing" (2003:7).

capital and the crises of overaccumulation, which leads to alliances and conflicts across space and scale.

Space and spatial scale are produced under the direction of the production processes of capitalism. The spatial and scalar organization of capital expresses its contradictory tendencies resulting in uneven geographical development of landscapes. Both Smith and Harvey have theorized the concept uneven geographical development. The basic premise of uneven development proposed early on by Smith (1984, 155) is that capital jumps back and forth between developed and underdeveloped places to stave off periods of crisis, producing a pattern of uneven development on space, nature, and social relations. The uneven geographical development literature has expanded since the mid-1980s, and major concepts in the literature will be discussed in a later segment which elaborates on the relation between the state and capital.

Relational Scale

In the 1990s as geographers struggled over the concept of scale, certain geographers, such as Richard Howitt (1993a, 1993b, 1998, 2002), moved more rapidly away from rigid and hierarchical notions of scale and conceived of relational scale. Howitt's relational conceptualization of scale emphasizes that scale is "dialectical and internally related to the totality of social relations" (1993a, 33). Early on in the production of scale work, Howitt is connecting scale with social life. He also connects scale with a dialectical approach, emphasizing the internal relations of scale. Scale labels are socially constructed and consequently an outcome of social relations and social conflict.

Howitt (1998) uses the example of a scale analysis of national geographies. The national scale is not an ontological given, but this scale was actively created through political and economic processes (Herod 2003, 231-232). Geographical totalities analyzed at the national level require an analysis of the relations between “geopolitics, territory, structure, culture, economy, environment, society, etc… . Explaining just what makes the term ‘national’ an appropriate scale label in a particular circumstance requires us to address these relations precisely” (1998, 52). In addition to these relations constituting scales, scale as a “structure, system, or unit … [and] scale as a factor in the construction and dynamics of geographic totalities rather than just a product of geographic relations” also needs to be accounted for in conceptualizing scale (1998, 56).

Howitt’s relational approach to scale, especially in the 1990s, pushed against the ontological rigidity in conceptions of scale. His theoretical work also supported Marxist geographical research and social action for the transformation of power relations in the real world. The relational scale approach is complementary to the scale as process approach. Brenner (2004) identifies conceptualizing the relationality of geographic scales as an important challenge in geographic research, just as important as conceptualizing scale as a process. He further adds that a postdisciplinary approach is needed to truly grasp the social production of scale.[7]

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[7] Andrew Sayer’s (1999) postdisciplinary approach to social phenomena casts aside disciplinary parochialisms and disciplinary imperialism. He advocates following ideas and connections regardless of disciplinary boundaries in order to understand the dynamism and complexity in the real world. (See also Sayer, Reductionism in Social Science 2005).

Scalar Fix

A chief concept in the scale literature is scalar fix.[8] Smith (2003) explains that scales are both fluid and fixed, and the production of scale contains both (1) the continual maintenance of established scales and (2) the new reproduction of scales at different levels. These latter scales represent restructuring via scalar fixes. Scalar fix describes the scale at which the territorial infrastructures and social relations of capital are 'hierarchized' and secured in space. These scalar hierarchies represent "fixed geographical structures bounding political, economic and cultural activity in specific ways" (2003, 229).

Scalar fixes temporarily anchor "highly contentious and contested social relationships" (2003, 229). Scalar fixes often displace weaker social groups, and in this sense, scale "is the spatial repository of structured social assumptions about what constitutes normal and abnormal forms of social difference" (Smith 2004, , 197). Smith contends that "in geography, political difference is fossilized, as it were, naturalizing whole realms of contestable social organization" (2003, 229).

Brenner connects the notion of scalar fix with the role of the state. He finds that the spatial and scalar configurations of states and economies are "superimposed, overlapping territorial grids whose spatial patterns and modes of interconnection change historically" (Brenner 1997). The geography of capitalist development has been based upon "a succession of determinate, if chronically unstable, scalar fixes through which the socio-territorial preconditions for capital accumulation have been successfully secured, destabilized, junked, and remade."

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[8] Smith and Brenner adapted David Harvey's notion of spatial fix (spatio-temporal fix) and stretched it to scale.

Throughout this history of scalar fixes, "national state institutions have played a significant role in constructing, reproducing, modifying, destroying, and creating anew such scalar fixes" (2004, 10). Cox (2003) stresses that new scalar fixes produce reconfigured forms of social order, and researchers should analyze for whom and at what scales this order indicates success, compromise or failure in geopolitical struggle. He reiterates the need to understand scalar fixes of the state through the lens of the contradictory unity of the state and capital.

Marston (2004) has critiqued the politics of scale literature as neglectful of the role social reproduction plays in scale construction. While her general critique is very useful, she adds another dimension to the scalar fix concept. She asks "why a particular scalar fix enables capital at a particular moment, *but also how socially and culturally inscribed agents, struggling over ideology and meaning systems, have interacted with the state to formulate that particular scalar fix*" (Emphasis added 2004, 171). What Marston emphasizes is the need to bring people back into the scalar fix equation and account for the ways in which things considered superstructure are mobilized to fix and maintain the economic base. This process is riddled with social struggle along with competing ideolgoies and meaning systems.

Local Dependence, Spaces of Dependence, and Spaces of Engagement

Cox and Andrew Mair (1988 and 1991)formulate the concept local dependence to explore the contemporary politics of the resturcturing of local economic development in the United States. Their notion of local dependence describes the embeddedness of agents and organizations at particular scales and a reliance on the reproduction of social relations within a particular scale. Local dependence can breed both antagonism and unity. Their concept of local dependence and how agents overcome the constraints of their local dependence can be stretched to understand certain regimes of accumulation identifed by Braudel and Arrighi, particularly the ways in which the Genose and the Dutch overcome some of their local dependence issues.

Cox's (1998) dual concepts of spaces of dependence and spaces of engagement consider scale in terms of networks of social relations. His approach sheds light on the networks of social relations that constrain or enable capital mobility or fixity as well as the role of state and non-state actors in the struggle over the production of space and scale.

Spaces of dependence refers to a situation where social and spatial practices are locked into a given space and the effect this has on attempts by agents and organizations to exert control over this space. Spatially dependent agents and organizations can form local coalitions to strengthen their power, and they can also form political (and social / economic) networks of associations across space and scale. Cox refers to these networks as spaces of engagement. These dual concepts of spaces of dependence and spaces of engagemnet were developed by Cox to understand weaker social and political groups in a modern sense, but they can also be used to understand how various agents and organizations overcome their local dependence, such as how fifteenth century Geoneose bankers and merchants created spaces of engagement with imperial Spain to overcome their local dependence and expand the capitalist system.

Conclusion

Major advancements in the literature are critical approaches to scale that theorize it as a social process and theorize its relationality under a capitalist system. In other words, material and discursive scales are man-made constructions that create one reality from the possibility of many realities, and these produced scales and associated social relations keep power, wealth, and privilege flowing through certain places and certain relations and not other places and relations. The social production of spatial scale is contentious and politicized, and these struggles result in inequalities anchored in geographies and societies.

Scales are not static and their very changeability can play into the hands of subordinated agents, organizations, and states that challenge existing scales and social relations. Cox and Mair's concepts local dependence, spaces of dependence, and spaces of engagements delve more deeply into these struggles over the social production of spatial scale. However, the conquest of scale is a major political goal and in the case of hegemonic government-business complexes, their desire to maintain control over social and economic interactions is a tremendous power to try to counter. Smith and Brenner's scalar fix concept examines the ways in which scales and social relations are structured for capital accumulation. Scalar fixes displace and dispossess weaker social groups, and government-businesses complexes monopolize the making, maintaining, junking, and re-making of scales under capitalism, but this can be a contradiction-filled process because the social production of scale is embedded in the dialectical relation between the state and capital.

Scale productions are also internally related to one another. From a longer historical perspective, the relationality of the scales of capitalism has a very clear historical pattern. Over the course of capitalism's history, a hegemonic government-business complex's scale production creates the conditions for a rival's scale production that not only helps the rival supersede and become hegemonic but also expands the scale of the capitalist system. A central element in this pattern is the dialectical relation between capitalism and imperialism. A scalar imperialism concept articulates imperialism, in all its various guises, with the social production of scale under capitalism.

Part 2: Relation between the State & Capital

Introduction

The study of the production of scale under capitalism engages the dialectical relation between two important actors – capitalism and the state. With that being said, scale is not a stand-alone concept. It has not been conceptualized as a stand-alone concept. Much of the scale research benefits from the Uneven Geographical Development literature. An important concept from this literature is Harvey's spatio-temporal fix, a concept that strives to explain the fixes for inevitable crises in capitalism.

In conjunction with the uneven geographical development literature, Arrighi two logics of power – capitalism and territorialism – are used to analyze the dialectical relation between the state and capital. Arrighi employs these two logics of power to analyze the expansion of capitalism through four systemic cycles. Harvey also uses Arrighi's two logics of power to analyze the relation between the state and capital. Their work includes a paramount understanding of capital accumulation process, in both times of continuity and times of crisis.

Arrighi joins his two logics of power with Harvey's differentiation between two forms of accumulation in capitalism, expanded reproduction and dispossession, and why dispossession was the initial form of capitalism and why it also works to compensate for crises in accumulation by expanded reproduction. Based on the historical geography of capitalism and Arrighi's systemic cycles, both Harvey and Arrighi strive to unravel the connections between capitalist crises, financialization, and shifts in political and economic hegemony.

Uneven Geographical Development

Harvey and Smith's work in the uneven geographical development literature theorize and investigate the geographical and socio-political outcomes of the contradictory tendencies and the chronic crises in the capital accumulation process. Their work also engages the ways in which the capitalist state is implicated in the struggle over the organization of social space and scale under global capitalism. Since the 1980s, Harvey and Smith's work emphasizes understanding the state and capital, their relations, processes, and activities, within the space-time context of the uneven development of geographical landscapes since the late 1970s. Harvey underscores that "Uneven geographical development is not a mere sidebar to how capitalism works, but fundamental to its reproduction" (Harvey 2010, 213).

A core concept in the uneven geographical development literature is Harvey's concept spatio-temporal fix, which he initially called spatial fix. Harvey uses the concept spatio-temporal fix as a "metaphor for a particular kind of solution to capitalist crises through temporal deferral and geographical expansion" (Harvey 2003, 115). Similar to Smith's idea of capital jumping to the next profitable place, Harvey's spatio-temporal fix emphasizes the 'fix' for contradictions in capitalism and the 'fixing' of capital in the physical landscape, i.e., the anchoring of capital in geographical configurations and social relations that have the structured coherence for continued capital accumulation.[9] Spatio-temporal fixes represent an enduring process in capitalism because these fixes are continually trying to head off and solve overaccumulation crises.

Smith's seminal work *Uneven Development: Nature, Capital and the Production of Space* (1984) laid the groundwork for theorizing the influence of capitalist production on nature, space, and social relations. He theorized that space and nature are intimately intertwined as both are socially produced, and the organization of space is a result of material production and the reproduction of social relations.[10]

Smith (1984) theorized that uneven development of landscapes is the result of the spatial and scalar organization of capital expressing its contradictory tendencies. The dialectic of geographical differentiation and equalization produces the concrete pattern of uneven development. A tendency towards the internal differentiation of space into absolute space at particular scales is dialectically related to the production of global space as relative space. In other words, geographical differentiation is connected with the spatio-temporal fixes of capital and it also articulates social differentiation, i.e. the relation between capital and labor.

Harvey (1987) makes the connection between the problems of overaccumulation, urbanization and uneven development. In the 1970s, new forms of capitalist practices

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[9] See (Harvey, The Geopolitics of Capitalism 1985); (Harvey, The Urban Experience 1989); (Brenner, Between Fixity and Motion: accumulation, territorial organization, and the historical geography of spatial scale 1998).

[10] Society's relation to nature under capitalism is more centered on the production of a 'produced natural landscape' complementary to capital accumulation strategies (sometimes called second nature). This is not to say that natural processes are totally human-driven, but to say that the treatment of nature as separate/external from society is misleading and wrong. Smith's production of nature thesis stresses the role of social, political and economic institutions that mediate social relations with nature. Specifically, Smith argues that under capitalism society's relation to nature is more of an exchange relation based on profitability (Smith 1984, 32-65).

characterized by flexibility and mobility emerge. The central paradox is the decreasing importance of spatial barriers coinciding with the greater sensitivity of capital to variations of place, along with the increasing incentives for places to become differentiated and attractive to capital. [11] The new kind of accumulation is designated by Harvey as flexible accumulation.

The outcome of flexible accumulation has been the production of fragmentation, insecurity and "ephemeral" uneven development (Harvey 1990, 295). This uneven development is currently termed globalization, a "new phase of exactly … [the] same underlying processes of the capitalist production of space" (Harvey 2000, 54). He enumerates three distinct aspects of capitalism's production of space to better understand "globalization as a process of production of uneven temporal and geographical development" (2000, 60).[12]

Harvey states that uneven development comprises two fundamental components. These components are the production of spatial scale[13] and the production of geographical difference. He argues that the focus should be on the "pattern and systemic qualities of the damage being wrought across geographical scales and differences" by the contradictions inherent in capitalist globalization (2000, 81). This pattern is the "uneven geographical consequences of the neoliberal form of globalization" (2000, 81), and uneven development should be the 'language' to better understand the capitalist production of space rather than the universalizing concept of globalization (Harvey 1996).

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[11] For example, see (Harvey 1978) (Harvey 1989) (Harvey 1990)
[12] These aspects are: (1) "reductions in the cost and time of movement over space … [with a] focus of technological innovation;" (2) the construction of fixed physical infrastructures "to facilitate this movement as well as to support … production, exchange, distribution, and consumption;" and (3) "the construction of territorial organization," e.g. the establishment of state powers to facilitate and support accumulation (2000, 59-60).
[13] Smith (1984) discussed the production of spatial scales under capitalism as a key issue.

Smith concurs that globalization is the "latest stage of uneven development" (1997, 182). The twentieth century has been characterized by the unevenness of capitalist development driven by "the unevenness inherent in the logics of capital accumulation" (1997, 185). The 'globalization' in the 1980s and 1990s was enabled by the hyper mobility of capital, denser networks of international connection for the production of goods and services, and technological advances in transport and communications.

The more recent flexibility of capital has wrought a "new flexibility in disinvestment and abandonment" as well as a major disconnect between places of production and places of consumption (1997, 187). Smith contends that the "satanic geographies of uneven development therefore represent a striking spatialization of class and race, gender and national relations that make global production a social process" (1997, 187-8). Since the 1940s, production capital, labor and cultural capital have been globalized. The 1980s and 1990s were characterized by a global restructuring which reorganized and deepened the past patterns of uneven geographical development.

Both Smith and Brenner investigate the role of the state in uneven geographical development, specifically in relation to urban spaces. Uneven development, according to Brenner, describes the way the social, political and economic processes of capitalism are "always organized within distinct sociospatial configurations" distinguished by "divergent socio-economic conditions, development capacities, and institutional arrangements" (2004, 13).[14]

They both agree that the state acts as the regulator and mediator of capital accumulation processes. Smith (2002) argues that the neoliberal state under globalization has

[14] For example, Brenner (2004, 13) identifies urban agglomerations, regional clusters, rural zones, national territories, and supranational economic blocs.

become an agent of the market which has, in turn, shifted restructuring of the urban scale based upon social reproduction to those of capital production. Brenner (2004) also finds that states have undergone significant changes over the past thirty years, especially in terms of urban policy changes that now favor the promotion of competition among territorial locations. States now purposefully cause uneven geographical development through policies aimed to "strengthen the place-specific socioeconomic assets of strategic, globally linked city-regions" (2004:16). These globally competitive city regions are important sites of rescaled national state power.

A major internal contradiction in this transformation is that the new urban policies under neoliberalism do not deal with the negative impacts of uneven geographical development at any scale. These short term bursts of capital accumulation in city-regions may have serious consequences that undermine the long term viability of capital reproduction in particular places. The tension between geographical differentiation and equalization generates (1) an aggregate geographical effect of the uneven development of landscapes and (2) deep-seated regulatory problems because profit-seeking activities can often have disruptive and destabilizing consequences for future accumulation (2004, 13-4).

Smith, Harvey, and Brenner (among others) have zeroed in on the causes and consequences of transformations in the production of space and scale vis-à-vis the relations between the state and capital, yet their focus is mainly on what has happened since the 1970s and the dominance of neoliberal flexible accumulation and its consequences. Their analysis will require shoring up for a longer term perspective on the production of spatial scale under capitalism as well as comprehending the role of political spaces in those production processes. Arrighi offers a broader and longer term perspective on the relation between capitalism and the state. Joining Harvey's notion of spatio-temporal fix with Arrighi's take on systemic cycles of accumulation, will help analyze the 'paths' of spatio-temporal fixes from one particular regime of accumulation, to the next, and the one after that, and so on.[15]

Arrighi's Two Logics of Power – Territorialism and Capitalism

Arrighi's territorialist and capitalist logics of power, also referred to as modes of rule, shed light on the dialectical relation between the state and capital. His ideas are ways to investigate the expansion of the world capitalist economy over a long historical perspective and from the standpoint of successive regimes of power.

Arrighi relates that initially business enterprise was subordinated to government. For business enterprise to succeed, they had to become powerful governments, for example the capitalist oligarchs of the northern Italian city-states in the fifteenth century. As time went by and the capital accumulation process expanded in scale and scope, business enterprise "became increasingly autonomous from and dominant over networks of power" (1994, 86). Now for governments to succeed, they had to become powerful in the capital accumulation process (in addition to their state-and war-making capabilities).

Arrighi's work draws upon Fernand Braudel's "unconventional view of the relationship that links the formation and enlarged reproduction of historical capitalism as world system to processes of state formation on the one side and of market formation on the other" (Arrighi

[15] Arrighi talks about these concepts together in David Harvey's "The Winding Paths of Capital," *New Left Review*, 56 (2009), pp. 61-94.

1994, 10). In the social sciences, political discourse and mass media, Arrighi notes that capitalism and the market are synonymous and state power is 'antithetical' to both. Braudel conversely argues that capitalism is "absolutely dependent for its emergence and expansion on state power and as constituting the antithesis of the market economy" (1994, 10). In short, Braudel argues that "Capitalism only triumphs when it becomes identified with the state, when it is the state" (1994, 11). Arrighi and Braudel's take on the relation between the state and capital, a close yet problematic relation, underpins this research study.

Arrighi explains that in the last five odd hundred years, the world capitalist economy has expanded vis-à-vis inter-state competition along with an increased concentration of capitalist power in the world system. Over this long perspective, he finds that a crucial development is "the formation of political structures endowed with ever-more extensive and complex organizational capabilities to control the social and political environment of capital accumulation on a world scale" (1994, 14).

What is truly interesting about this situation is that persistent crises in capital accumulation continually threaten to upend political stability of 'state' spaces, yet successive political regimes seem to fix the situation, at least temporarily (1994, 33). Braudel found that the essential unifying feature of capitalism over its entire lifetime is its flexibility and capacity for change and adaptation.

For Arrighi, territorialism and capitalism correspond to differing strategies of state formation, because they are alternative modes of rule. They are not reducible to one another and their relation is problematic and contradictory. The crucial feature of the modern inter-state system is the constant conflict and temporary resolutions between territorialism and capitalism "through the reorganization of world political-economic space by the leading capitalist state of the epoch" (1994, 36). A significant trend is the closer interpenetration of these modes of rule (Arrighi 2005b, 91).

Territorialist rulers "identify power with the extent and populousness of their domains, and conceive of wealth / capital as a means or a by-product of the pursuit of territorial expansion" (1994, 33). Territorialist rulers aim to control territory and population, and the means to this end is control over mobile capital via state and war-making (1994, 34). Territorialist rulers "weighed carefully the prospective benefits, costs, and risks of the additional commitment of resources to state-and war-making involved in the territorial and commercial expansion of empire" (1994, 35). A prime example of a territorialist logic of power in world history is China.

Capitalist rulers, on the other hand, "identify power with the extent of their command over scarce resources and consider territorial acquisitions as a means and a by-product of the accumulation of capital" (1994, 33). Capitalist rulers attempt to control mobile capital, and the means is control over territory and population. Arrighi notes that the "strongest tendency towards territorial expansion has arisen out of the seedbed of political capitalism (Europe) rather than out of the seat of the most developed and best established territorialist empire – China" (1994, 34).

Both territorialism and capitalism are strategies to increase power. Arrighi emphasizes that both strategies inhere Machiavellian traits, and coercive force would be mobilized if the situation necessitated the use of force for strategic objectives.

Arrighi is quick to point out that territorialist or capitalist strategies and actions ought not to be conflated with actual outcomes. In fact, because these two logics of power are mobilized “in relation to one another” and in the same space-time context, outcomes in the real world can vary significantly from abstract theory (1994,34).

Harvey has picked up on Arrighi’s concepts, but he uses Arrighi’s two logics of power a bit differently. He links the territorial logic of power with the state and the capitalistic logic of power with the politics of production, exchange and accumulation. Arrighi connects both logics of power with state policies.[16] His take on Arrighi’s two logics of power are influenced by his goal of understanding post-1970s transformations associated with globalization as well as American Empire (such as Harvey 2003). An important feature of post-1970s capitalism is the power, wealth, and strength of multinational corporations that, for Harvey and many others, are operating outside and/or above state power. The political state has to manage capitalism “to its own advantage both internally and externally,” which can be a problematic undertaking given capitalists increased spatial mobility as well as capitalism’s chronic tendencies to instability and crisis (Harvey 2003, 107-8).

Harvey (2003) uses spatiality to differentiate these dialectically-related logics of power. Agents operating under the territorial logic of power, such as statesmen and bureaucrats, strive

[16] Arrighi finds that Harvey seems to assume all market processes are dictated by capitalist logic, an assumption he does not make (Arrighi 2005a, 28)

for outcomes that increase the power of their state relative to other states. These agents are fixed in territorialized space, the political state / nation-state.[17] Agents of the capitalist logic of power, such as businesspeople, bankers, etc., work in "continuous space and time" and they invest capital where it is most profitable (2003, 27).[18] The agents of these two logics of power differ in their spatiality as well as their degree of public involvement, social responsibility, and roles in the processes of capital accumulation.

Harvey (2003, 116) points out a 'geographical inertia' and 'resistance' that can constrain spatio-temporal fixes. Capital must become fixed in the landscape and social relations. Territorially bound agents – the state – may resist spatio-temporal fixes that might deprive them of their previously gained privileges in the capital accumulation process (or also in inter-state power relations). If capital cannot move to overcome its chronic tendencies to crisis, then it becomes incompatible with continued accumulation in that particular space, resulting in devaluation through deflation or depression. Arrighi (2005a, 31) highlights that spatio-temporal fixes have "an inescapable social aspect," since devaluations have devastating social and political outcomes.

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[17] Harvey conceives that the territorial logic of power is about the "political, diplomatic and military strategies invoked and used by a territorially defined entity such as a state as it struggles to assert its interests and accumulate power in its own right" (2006, 107). Politicians are typically grounded in absolute space, they tend to seek collective advantage, and they operate under the constraints of their territories' political and military situations. They also are typically held accountable to their citizens and/or elite groups, and in democratic states, the territorial logic power is influenced by electoral cycles. Decisions are typically reached through political processes in which various interests struggle to gain influence. Statesmen / stateswomen play important roles in maintaining institutional arrangements, policies, and interventions that support the accumulation process.

[18] Harvey's capitalist logic of power "focuses on the ways in which economic power flows across and through continuous space, towards or away from territorial entities… through the daily practices of production, trade, commerce, capital flows, money transfers, labor migration, technology transfers, currency speculation, flows of information, cultural impulses, and the like" (2006, 107). Capitalists desire to profitably invest their money in a place where it can accumulate more capital. They are operating in relative and relational space and time. Their firms come and go, can change locations, merge with other firms or simply cease to exist.

Duality in Capitalism – Expanded Reproduction and Dispossession

Harvey (2010, 40) emphasizes that "Capital is not a thing but a process in which money is perpetually sent in search of more money." Diverse kinds of capitalists begin this process of speculating for money by investing money, and all pursuits in search of money are risky (2010, 52). Capitalism is about surpluses, such as natural resources, land, labor power or skills, social networks, etcetera. Capitalists appropriate and/or generate surpluses and put them into circulation, and the whole system sets on the shoulders of wage laborers, while the capitalist class guides the system.

Harvey relays that things in the 'web of life' are "appropriated by capital and circulated back to us in commodity form so as to allow the extraction of surplus value" (Harvey 2006, 92). Necessarily, control over surpluses results in various forms of struggle, and because these surpluses are differentially located, spatial strategies are used to access and control them. Also, various limits and barriers can crop up and block the absorption of surpluses.[19] The chronic crises of overaccumulation occur when surpluses of capital and labor lie unused with no profitable outlet. Barriers to the absorption of surpluses constrain the circulation of capital causing crises, and if solutions are not realized and surpluses overaccumulate, then they may be devalued and/or destroyed (2010, 45).[20]

Harvey explains that "During capitalist crises… capital gets devalued which means surplus values and eventually the surpluses that lie behind them are diminished or destroyed. Crises of devaluation provide multiple opportunities to acquire assets 'on the cheap' and those with the power

[19] Harvey (2010, 47) lists barriers as: "(i) insufficient initial money capital, (ii) scarcities of, or political difficulties with, labour supply; (iii) inadequate means of production, including so-called 'natural limits'; (iv) inappropriate technologies and organizational forms; (v) resistance or inefficiencies in the labour process; and (vi) lack of demand backed by money to pay in the market."

[20] A common solution to overaccumulation is to invest in the built environment – in cities, infrastructures (dams, highways, etc.). This is almost always backed by the state-finance nexus. Excessive investment can cause crises, so the solution becomes the problem. (Harvey 2010, 85-6). Another solution is some sort of technological or organizational innovation, such as computerized trading on stock markets, but these innovations can cause crises as well (2010, 93-4).

to ride out crises can emerge much enriched" (2006, 94). These chronic crises of overaccumulation and devaluation can be temporally and/or spatially displaced, i.e. the spatio-temporal fix. The key to understanding capitalism, these struggles over surplus values, and capitalist crisis is Harvey's take on dual forms of capital accumulation.

Harvey's theorization of dual forms of capital accumulation sheds light on continuity and crises in capital accumulation as well as the relationship between the state and capital. Capital accumulation is differentiated into (1) accumulation by expanded reproduction and (2) accumulation by dispossession. He concludes that accumulation by dispossession has come to dominate the capital accumulation process, and part of this transformation relied on states favoring particular mechanisms of accumulation by dispossession.

Accumulation by expanded reproduction is when the capitalist plays the role of commodity producer and exchanger, while labor power is also a commodity that is traded at a given value. It is this form of accumulation which on the surface seems a "peaceful and legalized world of the organized market" and it is the form assumed to be operating currently (Harvey 2004, 547).

Accumulation by dispossession is a concept drawn from Marx's theorization of the initial 'primitive' and predatory form of accumulation used to 'jumpstart' capitalism (Harvey 2003, 146). In this primitive form, accumulation was based upon extra-legal means, such as predation, fraud, thievery, and violence, and it is the "appropriation and co-optation of pre-existing cultural and social achievements as well as confrontation and suppression" (2003, 146). Harvey relates that "pirates, priests and merchants, supplanted by the usurers, assembled enough initial 'money power' to begin to circulate money systematically as capital." This capital did not necessarily circulate in a capitalist system (through production), but was integrated into existing forms, "such as agrarian, merchant, landed and sometimes state mercantilist capital" (2010, 47).

States played crucial roles in jumpstarting capitalism because they hold a monopoly on violence and legality. The 'state-finance nexus' has its roots in the early events of primitive accumulation – it aided and abetted in initial amassing of capitals (2010, 48-9). He offers the Spanish dispossession of Incan gold as a paradigmatic example (2010, 47). A more current example is state-sponsored privatization. An important point is that primitive accumulation is assumed to have already occurred; it "is considered no longer relevant or … as being 'outside of capitalism'" (2003, 144).

Harvey re-theorizes the processes of Marx's primitive accumulation as accumulation by dispossession. Since the 1750s or so, once capitalists learned to circulate capital vis-à-vis wage labor production, bourgeoisie classes around Europe continued to use forms of dispossession to consolidate their wealth and power, for instance the British Parliament's Acts of Enclosure of common land (that aided an agricultural revolution, a massive rural to urban migration, giving the first industrial revolution plenty of landless wage laborers) (2010, 48). Accumulation by dispossession was used to consolidate the power of capitalism over other forms of economy, open up new spaces for capital circulation, and it periodically steps in to help overcome crises in accumulation by expanded reproduction.

Accumulation by dispossession is contingent, yet this form of capital accumulation is necessary for the stability and survival of the capitalist system as a whole. Dispossession alternatively becomes the dominant form of capital accumulation, because it compensates for the chronic crises of overaccumulation within expanded reproduction. Harvey explains that a fairly typical form of dispossession – imperialism – occurs when "External coercion by some superior power… entails the penetration of some pre-existing social order and geographical terrain to the advantage of that power" (2003, 93).[21] These sorts of imperialistic forms of dispossession are widespread in European capitalist history. In the more modern period under American hegemony, Harvey has charted the American turn to financialization under globalization as a major indicator of the renaissance of accumulation by dispossession.

In this recent phase, forms of dispossession, such as asset raiding within the capitalist system, capital and territorial devaluations vis-à-vis commercial competition and geopolitical strategies, have become widespread.[22] In the post-1973 wave of financialization, the occurrence of debt peonage, corporate fraud, dispossession of assets (e.g. the raiding of pension funds), and speculative raiding through hedge funds and other finance capital institutions became commonplace mechanisms in capital accumulation (2003, 147).[23]

In this current phase of accumulation by dispossession, the same general goals of primitive accumulation are at work. Accumulation by dispossession is the "cannibalization of assets that goes on within the capitalist system itself as factions… seize opportunities to appropriate assets of others… or

[21] Another form of dispossession occurs when subordinated non-capitalist class groups join in and "mobilize surpluses internally… and circulate them as capital through world trade." Harvey finds that "A whole series of 'comprador' bourgeois and capitalist class factions have sprung up using powers of appropriation in different places (with or without access to state violence) as part of the network of global capitalism" (Harvey, The New Imperialism 2003, 93).

[22] See (Harvey, Spaces of Global Capitalism: Towards a Theory of Uneven Geographical Development 2006, 94).

[23] Four new mechanism of dispossession under neoliberalism are: (1) intellectual rights and biopiracy; (2) increasing depletion of global environmental commons; (3) commodification of cultural forms, histories, and intellectual creativity; and (4) corporatization and privatization of public assets (Harvey, 2003:148).

as territories or regional configurations of capital (cities, regions, states) seek to acquire or destroy the assets of rivals through commercial competition and/or geopolitical maneuvers (including military interventions and disruption)" (2006, 94).

Currently, accumulation by dispossession blunts the overaccumulation problem by (1) financialization; (2) international financial institutions that orchestrate crises and subsequent devaluations; and (3) corporations utilizing heavily devalued assets, which include labor, and turning a profit (2003, 149). All three parts rely on state power. Harvey contends that the "umbilical cord that ties together accumulation by dispossession and expanded reproduction is that given by finance capital and the institutions of credit, backed, as ever, by state power" (2003, 152).

The state acts as the enforcer of particular institutional arrangements in society that capital accumulation requires, such as private property and financial regulations (or in the more recent case – favoring increased leveraging). State governments guide relations between accumulation by expanded reproduction and accumulation by dispossession (2004, 549). The state-finance nexus underlies the credit system and it fosters the various forms of dispossession listed above. The state, through its treasuries and central banks, manages capital creation (the minting of coinage and/or the printing press) and monetary flows, especially tax flows back into its own hands (2010, 48). In the Post-WWII era, international institutions like the Bank of International Settlements in Basel, the World Bank and the International Monetary Fund also play important roles in coordinating inter-state relations that uphold the state-finance nexus. Crises in the capitalist system can cause states and international institutions to favor an ever-widening toolkit of accumulation by dispossession. The state-finance nexus has become even more important over time as capital continually tries to expand beyond its bounds.

Systemic Cycles, Financialization & Capitalist Crises

While Harvey has re-conceptualized primitive accumulation into accumulation by dispossession and focused on the importance financialization plays in recent overaccumulation crises, Arrighi's systemic cycles illustrate the historical trend of turning to financialization as a response to crises in capital accumulation. Arrighi analyzes the history of the capitalist world economy over its entire lifetime by way of Braudel's research. He finds (pace Braudel) that a typical feature of this history is long periods of crisis, restructuring and reorganization.

Another key feature is that "expansion of world capitalism has been based on the emergence of ever more powerful leading capitalist organizations" (Arrighi 2005b, 84). These consistently more powerful capitalist organizations have pushed the expansion of capitalism and rule that from the very origins in Italian city-states included multiple competing 'states' (Arrighi 2005b, 84). By looking at the systemic conditions that result in a reconstitution of capital, he analyzes Braudel's four consecutive systemic cycles of accumulation. Again, these cycles are as follows: (1) Genoese (the 15th century to the early 17th century); (2) Dutch/United Provinces (the late 16th century through most of the 18th century); (3) British (the latter half of the 18th century to the early 20th century)[24]; and (4) the United States (the late 19th century to the current phase).

[24] Capitalism as a mode of accumulation became a mode of production in the British stage.

These systemic cycles are derived from Braudel's work, and Arrighi relays that these cycles are focusing on the 'non-specialized' top layer of world trade where the large-scale profits occur and also where there is greater flexibility in switching investments. He contends that "the main purpose of the concept of systemic cycles is to describe and elucidate the formation, consolidation, and disintegration of the successive regimes through which the capitalist world-economy has expanded from its late medieval sub-systemic embryo to its present global dimensions" (Arrighi 1994, 9-10).[25] As noted above in the listing of cycles, the dialectic of territorialism and capitalism antedates the establishment of the European inter-state system as the roots of this system lie in the medieval system of rule, the regional sub-system of capitalist city-states in northern Italy.[26]

Each long century overlaps the next long century because the contradictions and financial expansion in the 'old' cycle allow capital to flow into the material expansion of the 'new' cycle. Returning to Marx's MCM' formula, which can now be applied across capitalism's history, each systemic cycle is comprised of two parts: an MC phase of capital accumulation and a CM' phase of financial expansion. Each cycle represents a 'long century' and these cycles emphasize the "alternation of phases of continuous change with phases of discontinuous change" (Arrighi 1994, 8). Both material expansions and financialization are necessary parts of these long centuries. Inter-state competition for mobile capital (and the power that wealth

[25] Arrighi notes that using analytical constructs like systemic cycles and focusing on the top layer of capitalism (world of trade) leaves little room to include the middle layer (market economy) and the bottom layer (material life). He does realize the weakness in the analytical construct, but he finds that the top layer has been less probed and he considers the top layer the 'real home of capitalism' (1994, 24).

[26] Arrighi (2005b, 91) also highlights that each of these systemic cycles do not correlate directly with social theorists notions of a national state. Genoa (a business diaspora) and the United Provinces (proto-national state) "were something less" and the United Kingdom and United States were "something more than national states," referring to the former's global tributary empire and the latter's "world system encompassing transnational corporations, military bases and institutions of world governance."

could create) is an important driver of the capitalist system. This competition is further intensified by greater concentrations of capitalist power in states. The result is greater capitalist power in the world system (1994, 13).

Arrighi relates that “As a rule, major material expansions have occurred only when a new dominant bloc accrued sufficient world power” to bring interstate competition “under control” and enforce some semblance of cooperation (1994, 12). In a material expansion, a governmental-business complex leads the capitalist system with spatio-temporal fixes that anchor capital accumulation in particular landscapes and social relations of production. This process deepens the division of labor, and, of course, allows for increased trade, production, and profits. The capitalist system’s main centers (cities and/or states) cooperate with one another to sustain expansion. This is considered to be the phase of continuity.

The phase of discontinuity is a time of crisis and ‘fundamental transformation.’ The driving force causing crisis is competition. Arrighi explains that intensified and vicious competition creates high risk conditions for investment in the material economy (also referred to as the real or productive economy), which, over time, causes investors to revert to their preference for liquidity options and causes states to compete for mobile capital, thus creating the conditions for financial expansion and asset bubbles. These phases are also times of political struggles and inter-state warfare. Periods of financial expansion are ushered in by a ‘signal crisis,’ when the leading capitalist agencies realize that continued reinvestment of surplus capital in trade or industry is no longer profitable. The switch to finance capital forestalls the crises and maintains, or even increases, profits. Signal crises occur during times of relative stability.

Braudel explains that finance capitalism or financialization "was no newborn child of the 1900s" (Arrighi 2005b, 85). As Arrighi relays from Braudel's *Civilisation and Capitalism, 15th – 18th Century*,

> in the past – in say Genoa or Amsterdam – following a wave of growth in commercial capitalism and the accumulation of capital on a scale beyond the normal channels for investment, finance capitalism was already in a position to take over and dominate, for a while at least, all the activities of the business world. (Braudel in Arrighi 2005b, 85)

Financial expansion, when pure financial deals overtake the expansion of trade and production as a more profitable outlet for capital, signals the 'autumn' of a particular capitalist development and the 'springtime' for another capitalist development elsewhere. A turn to financialization "has been the result of a recurrent overaccumulation of capital" and its long history signifies that the tendency to overaccumulation and financialization has been with capitalism longer than industrialism. The deeper systemic crises in each cycle will eventually end with a 'terminal crises,' but between signal crisis and terminal crisis, the leading capitalist agencies can achieve a 'wonderful moment' of prosperity.

For instance, around 1560 the Genoese business diaspora switched from commerce to pulling the strings in European banking. Around 1740 the Dutch became the bankers of Europe, and in the late 19th century it was the English. In the United States, the financial expansion initiated in the 1970s is a sign of its autumn.

Arrighi discusses with Harvey important factors that make the U.S. financial expansion different from earlier ones (Harvey 2009). The current phase is due to overproduction and ineffective demand caused by a polarization of incomes (from wage repression and stagnation). Incomes have been channeled upward to people who favor speculation in financial markets, which cut into wider demand for products and services in the real economy and cause market bubbles.

During financial expansion, Harvey adds that “expectations becomes so excessive and the financing so profligate” (2010, 53) that people (investors) see money as the only good commodity to invest in. The state-financial nexus aids these feelings with institutions and regulations that feed the fire of financialization, and even when they fail, e.g. stock market crashes, recessions, depressions, or deflationary spirals, everyone rallies to state-financial nexus to fix the system (2010, 57).

Financial expansions and their subsequent crises are inevitable and necessary – they are the “only way in which balance can be restored and the internal contradictions of capital accumulation be at least temporarily resolved. Crises are, as it were, the irrational rationalisers of an always unstable capitalism” (2010, 71). Crises represent “a massive phase of dispossession of assets” and for this reason, Harvey asserts, “Crises may be… orchestrated, managed and controlled to rationalise the irrational system that is capitalism” (2010, 246).

Arrighi (2005b, 33) relates that the three main effects of financial expansions of systemic significance are:

1. “It transformed surplus capital embodied in landscapes, infrastructures and means of trade and production into an expanding supply of money and credit.”
2. “It deprived governments and populations of the revenues that they previously derived from trade and production that were no longer undertaken because unprofitable or too risky.”

3. "[I]t created highly profitable market niches for financial intermediaries capable of channeling the growing supply of liquidity into the hands either of governments and populations in financial straits, or public and private entrepreneurs intent on opening up new avenues of profit-making in trade and production."

Usually, the hegemonic governmental-business complex, for instance the British in the late 1860s, leads the capitalist system into phases of financial expansion. Arrighi (2005b) points out that this is the reason that all four regimes of accumulation have enjoyed a temporary 'belle époque' – a reflation of wealth and power. Turning to financial expansion temporarily solves a regime's waning power and wealth, but financialization intensifies instead of fixes the tendency to overaccumulation crises in capitalism.

One general pattern of long centuries is that each cycle is longer than century, but the historical tendency has been the shortening of each subsequent cycle. Arrighi remarks that "it has taken less and less time for systemic regimes of accumulation to rise, develop fully, and be superseded" (1994, 216). Each long century is shorter in duration, and the periods between signal crises (S_0, S_1, S_2, S_3, S_4) are also getting closer together in time (See Figure 2.1). The Genoese have the longest century at 220 years, then the Dutch at 180 years, then a bit shorter with Britain's 130 years, and it appears that the U.S. will have more or less a standard century.

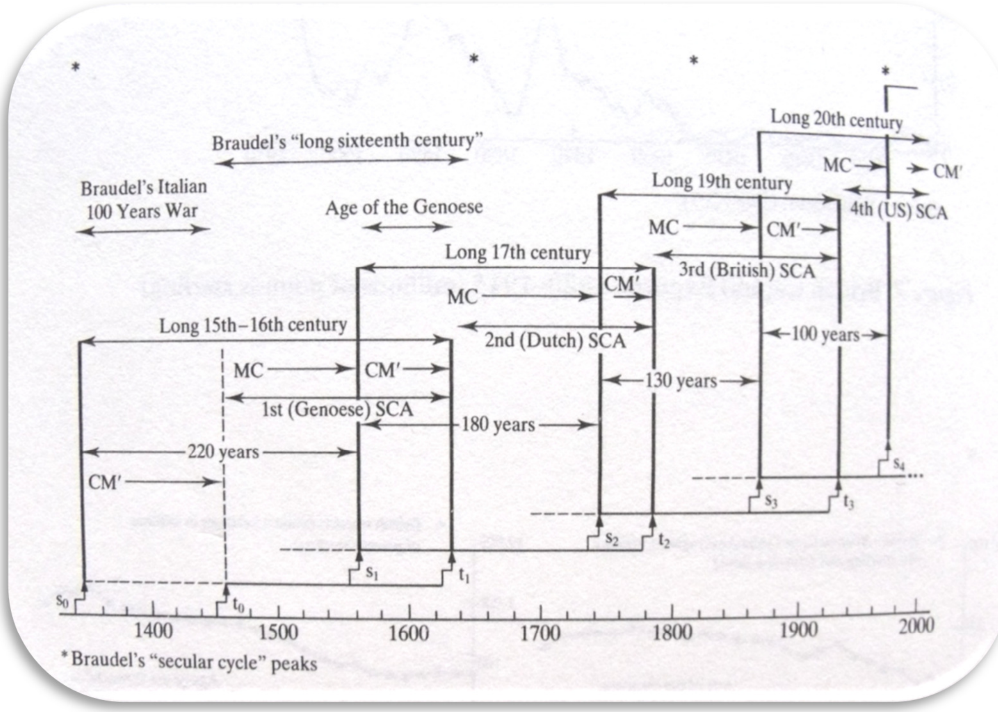

Figure 2.1: ARRIGI'S LONG CENTURIES AND SYSTEMIC CYCLES OF ACCUMULATION (Source: Arrighi 1994 364)

A second general pattern of long centuries is that as each successive regime has ever-more powerful governmental-business blocs "endowed with the capability of widening (or deepening) the functional and spatial scope of the capitalist world-economy," their lifecycle decreases (1994, 220). Arrighi links this trend with Marx's insight 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'" (Original emphasis Marx quoted in Arrighi 1994, 220).

The overall pattern in these long centuries is that the contradictions inherent in capitalism force self-expansion vis-à-vis the leading government-business complex. Returning to Marx's formula MCM', material expansions are the means to the end of increasing value of capital, but material expansions, once they reach their full expansion, throw up barriers for further accumulation and undermine their existence. Innovations, diversifications, and spatial widening can prolong a material expansion, but when it does reach its fullest possible extent under the leading regime of accumulation, profits will begin to fall.

Adam Smith, Marx, David Ricardo, and Joseph Schumpeter all understood the logic of the falling rate of profit. As competition increases and drives profits down, material expansions can 'come' to an end or be 'brought' to an end by the leading capitalist agencies, who pull out of trade and production and exclusively focus on financialization. When trade and production are profitable, then capitalist agencies invest and speculate in those activities; conversely when profits become intolerably low, then profits can only stay high by not being re-invested in trade and production.

Leading capitalist agencies that switch to finance capital "were better positioned … to monitor and act on the overall tendencies of the capitalist world-economy" and intermediate the supply of liquid money (1994, 234). Arrighi emphasizes that these capitalist agencies do not cause the end of material expansions, they 'regulate and exploit' the built-in structural instability in the capitalist world-economy. These agencies also have no motivation for a return to material expansion, because financialization is profitable.

As more and more capital switches to financialization, the competition for mobile capital increases. As the supply of mobile capital increases, so does the demand – the competition for mobile capital. Phases of discontinuity are characterized by "violent downswings and upswings," what Arrighi refers to as turbulence, in which profits in trade are destroyed, inter-state competition for mobile capital intensifies, and finance capital deepens the already existing structural crisis (1994, 233). The leading government-business complex at the time is actually unable to right the proverbial capitalist ship. According to Arrighi, turbulence is systemic and collapse is inevitable. Braudel and Arrighi's theorization of capitalism as a world-system vis-à-vis systemic cycles represent:

> a series of phases of stable expansion of the capitalist world-economy alternating with phases of turbulence in the course of which the conditions of stable expansion along an established developmental path are destroyed and those of expansion along a new path are created. (Arrighi 1994, 235)

Analyses of these regimes of accumulation and their phases of discontinuity are significant, because Arrighi provides a conceptual base to understand the broader patterns of change from one cycle to the next. Significantly, the processes occurring during transitions from one cycle to the next cycle are highly contingent and history does not exactly repeat itself, but rather rhymes.

Arrighi (2005b) distills two main transition mechanisms. The first he has synthesized from work with Harvey. Financial expansions of systemic significance rest on accumulation by dispossession. The transfer of purchasing power to agents and organizations with higher liquidity preferences "tended to provoke an even greater overaccumulation of capital and the recurrence of profitability crises," at the same time alienating the dispossessed who may provoke a legitimacy crisis of the leading government-business complex (2005b, 88-89).

Recurrent financial expansions, asset bubbles, and financial crises are commonplace in history, as important parts of systemic cycles and in the general history of the world economy (Reinhart and Rogoff 2009). Recurrent bailouts by leading government-business complexes are also common, because they cannot allow regional or place-specific crises to collapse the whole system. Arrighi relates that the "hegemonic power must organize 'bail-outs' to keep global capitalism accumulation on track," and, at the same time, "orchestrate the process to its own advantage" (Arrighi 2005a, 45). Typically, from the onset of decreasing profitability in trade and industry (the signal crisis) in a systemic cycle to the end of the end of the cycle (the terminal crisis), the leading capitalist agencies do enjoy a wonderful moment of profitability.

The second transition mechanism that Arrighi sees linking systemic cycles is the "transfer of surplus capital from incumbent to emerging centres of capitalist development" (2005b, 89). Spatio-temporal fixes of ever-larger scale and scope are required to alleviate capitalist crisis. In other words, financialization heralds a change in hegemony; and the new hegemon is larger, more complex, and can overcome the barriers to accumulation in the 'old' regime of accumulation (Harvey 2010, 35). The financial expansion in one systemic cycle, for instance the British in the late 1800s, dovetails with an emergent phase of material expansion in a center of capitalist development, for instance the U.S. in late 1800s. Wars can hasten the transition, but it is the movement of surplus capital from the 'old' center to the 'new' center that initiates the transition.

Under financialization as commodity capital is converted to money capital, states compete more intensely for this increasingly available mobile capital, which often leads to inter-state struggles. Fierce competition takes the form of "intercapitalist competition, interstate rivalries, accumulation by dispossession, and production of space on an ever-increasing scale" (Arrighi 2005b, 90). As more surplus capital is switched to the 'new' center, the creditor-debtor relation that is established in this process signals the end of the short belle époque and reverses the relation between the ‘old’ center of wealth and power and the ‘new’ center of wealth and power.

Capitalism survives and flourishes “through a series of spatio-temporal fixes that absorb the capital surpluses in productive and constructive ways, but also through devaluation and destruction” of more vulnerable areas (Harvey 2003, 135). Harvey notes that visitation of spatio-temporal fixes depends “just as much upon the explicit forms of political action as it does upon the molecular processes of capital accumulation” (2003, 124).

The dialectic of the territorial and capitalist logics of power is operating under these conditions of overaccumulation crises, spatio-temporal fixes, and preference for accumulation by dispossession. Both the state and mediating financial institutions play crucial roles in producing and preserving the pattern of asymmetrical exchange relations. The general picture described by Harvey is “a networked spatio-temporal world of financial flows of surplus capital with conglomerations of political and economic power at key nodal points … either to disburse and absorb the surplus down productive paths … or to use speculative power to rid the system of overaccumulation by the visitation of crises of devaluation upon vulnerable territories” (2003, 134). This kind of ‘vulture capitalism’ (2003, 136) is at the heart of the internal relations of the territorial logic of power and the capitalist logic of power, and these two logics are “tightly interwoven” as “each logic throws up contradictions that have to be contained by the other” (2003, 183).

Arrighi underscores Harvey’s contribution to these logics of power, that is the way Harvey situates them within the spatio-temporal fixes “applied to the crisis-prone tendencies of the endless accumulation of capital, which provides a plausible explanation of why the production of space has been such an essential ingredient of the enlarged reproduction of capitalism" (Arrighi 2005a, 35). These spatio-temporal fixes of capital accumulation linked with financial expansions of systemic significance have over time enlarged capitalism into a global system. The geography and processes of world capitalism have been 'revolutionized' by these transitions from one systemic cycle to the next. Each systemic cycle represents a larger geographical space as well as larger embodiments of wealth and power, and these characteristics point to the close relations between world capitalism and imperialism (Arrighi 2005b, 90).

Conclusion

The uneven geographical development literature is closely linked with the scale literature. Harvey, Smith, and Brenner's (among others) research in the uneven geographical development literature focuses on the chronic crises in capitalism and the ways in which states and capital resolve these problems vis-à-vis spatio-temporal fixes and accumulation by dispossession, i.e., financialization. Geographers have tended to primarily research the current crises in capitalism, i.e., the 1970s turn to financialization, neoliberal capitalism's spatio-temporal fixes, and thus the intensified processes of uneven geographical development. The conclusions from their work are that: (1) crises are systemic to capitalism; (2) spatio-temporal fixes and uneven geographical development are systemic to capitalism; and (3) states play pivotal roles as the regulators, mediators, agents, and antagonists of capitalist crises and attempted resolutions, which have particular geographical and social outcomes (i.e., the production of space, scale, nature, and social relations under capitalism).

While geographers have focused on more recent times and places, Arrighi has taken a longer and broader perspective on the spatio-temporal fixes and dispossession mobilized by hegemonic states, leading capitalist agencies, and their acquiescent subordinates on behalf of the capitalist system. Arrighi sheds light on the contradictory logics of territorialism and capitalism at work within states, and why hegemonic states seem to cause their own 'creative destruction' in their attempts to solve capitalist crises by turning to finance capital and finance capitalists.

Both Arrighi and Harvey's versions of capitalism and territorialism get at the end goal of states. To be sure, power and wealth are the end goals of states. Harvey's take on territorialism and capitalism emphasizes the greater aspatiality of capital in the current global capitalist system, and the ways in which capital's aspatiality is a challenge for territorially-bound states. States want the generation of surplus value to stay within their borders and under their control. Capitalists want to move to the most profit-maximizing place. Thus, the goals of capitalists and statesmen can sometimes coalesce and sometimes conflict.

Arrighi's conceptualization of capitalism and territorialism are dialectically related strategies states adopt to achieve power and wealth. Territorial states utilize control over mobile capital to have power over territory and people, whereas, capitalist states utilize control over strategic resources (and thus territory and people) to have power over mobile capital. Both territorialist and capitalist strategies include the use of imperialistic maneuvers. Territorialism and capitalism are both state strategies on the same continuum, and while they both have helped expand the scale, scope, and pace of capitalism into a world-dominating economic system, these strategies can be amiably blended together and they can also conflict and contradict each other.

Arrighi's identification of four systemic cycles and their territorialist and/or capitalist strategies over the course of capitalism's history illuminate a general trend – the cycle of expansion, contradiction, financialization, chaos, and resolution – all occurring within the larger trend of the expansion of capitalist system. The phases of continuity, the material expansions, alternate with phases of discontinuity, which include an inevitable shift to financialization that deepens the existing crisis in capitalism and sets in motion the processes of hegemonic shifts and changes in capitalism itself.

Harvey's main contribution at this point is the recasting of Marx's primitive accumulation as accumulation by dispossession. Dispossession can jumpstart capitalism and intervene to alleviate crises in expanded reproduction. Harvey connects financialization with accumulation by dispossession, and this conceptual step emphasizes the recurrent use of various forms of dispossession, including imperialism, that have kept the capitalist engine running since the 1400s.

Arrighi's long history of recurrent financialization, systemic chaos, and eventual resolutions illustrate the innate instability, turbulence, and flexibility of capitalism. This structural tendency towards crisis and systemic collapse on the one hand, and the need for an increasing scale, scope, and pace of capitalist activities on the other hand, make the capitalist world-economy a chronically unstable and conflict-ridden form of economy.

Part 3: Imperialism

Introduction

There are three main issues in theorizing imperialism. First, while imperialism is a very old practice for achieving power, empire, and wealth, theorizing imperialism in the modern world is weighed down by the last five hundred odd years of history. Conceptualizing imperialism in Western thought is mired in the intense Western imperialism and drive for empire from the 1400s onward. A process that was driven by economic imperatives, desires for power and status, racism, and religious absolutes. A less universal and less abstract concept of imperialism is perhaps a better way to go about understanding the multiplicity of imperialisms in human history and current struggles. A more elastic concept of imperialism has greater explanatory power, because the emphasis is put on context rather than an inflexible and static model of imperialism, i.e. imperialism with colonies.

A second issue in conceptualizing imperialism is the conflation of imperialism and hegemony. This study illustrates that both concepts have their own explanatory power, which sometimes overlaps, and these concepts can be used together to study the historical geography of capitalism.

A third issue is the need to conceptualize and apply imperialism in relation to capitalist crisis. Since most of academic history on imperialism does not link capitalism and imperialism until the 1800s, pulling back and using a longer historical perspective may find closer connections between capitalist crisis and imperialistic processes.

Imperialism

A basic meaning of imperialism is "an extension or imposition of power, authority or influence of a state over other states, or stateless communities" (Arrighi 2005a, 27). Agents, organizations, and states that undertake imperial projects are concerned with the expansion of power and wealth. They will strive to re-make social relations, political relations, economic systems and commerce, and geography to accomplish their goals, however varied those goals may be. Imperial projects can be expensive undertakings, but the typical intention is to *profit* from empire.

The term imperialism has risen and fallen (and risen again?) as a way to understand the activities of powerful political and economic agents, organizations, and states. A major problem in the history of theorizing imperialism is that thinkers tend to theorize the term based on particular historical contexts they seek to explain, such as periods of intense colonization, and then they (or their followers) try to universalize a certain concept of imperialism. Likewise, others try to re-theorize the term without certain aspects usually associated with imperialism, such as Harry Magdoff's late twentieth century research on imperialism without territorial colonies.

Theories of imperialism are also highly politicized. A universal imperialism concept is theoretically unattainable, and in practice would create false 'knowledge.' But imperial endeavors are enduring processes, and throughout history they have been used in conjunction with multiple forms of economy. A part of this study will examine the relationship between imperialism and capitalism, which have been together for quite some time.

In cases like this, Antonio Gramsci's notion of a concept is preferable. For him a concept "is loose and elastic and attains precision only when brought into contact with a particular situation which it helps to explain – a contact which also develops the meaning of the concept" (R. Cox 1983). Robert Cox (1983) relates that Gramsci's historicism is stronger because of his avoidance of abstract, universal, and non-historically based conceptual constructions. Historical context is crucial for understanding the multiplicity of imperialisms.

The most important step in theorizing imperialism is to under theorize it. Arrighi offered a good basic statement about what imperialism is – "an extension or imposition of power, authority or influence of a state over other states, or stateless communities" (2005a, 27). To theorize ever so slightly, imperialism is necessarily related to the expansion and maintenance of hierarchical political, economic, and social relations in particular spaces and times. These hierarchies are characterized by domination and forms of exploitation. There is also no constraint on the relation between imperialism and forms of government. Any kind of government can use imperial processes.

Imperialism does not signify hegemony, but imperialism and hegemony may co-exist in the same spaces and times, but only historical context could evidence that situation. There is no necessary relation between imperialism and hegemony. Also, in any given historical context imperialism can be allied with any form of economy to extend, impose, and maintain hierarchies of political, economic, and social power. This study specifically examines the ways in which capitalism needs imperialism.

Today many historians differentiate between two forms of imperialism: (1) 'formal imperialism' (imperialism with territorial colonies ruled directly or indirectly) and (2) 'informal imperialism' (imperialism without territorial colonies). Both of these forms of imperialism play important roles in the production of space and scale. Imperialism with colonies is a very obvious form of imperialism based on territorial ownership, which usually requires all sorts of violent forms of domination usually legitimized on the basis of economics, national honor and glory, religion, race, and power relative to other states. The imperialist's ability to visit military annihilation on its colonial target is the fundamental underpinning of this kind imperialist's success. The goal is to gain ownership of the territory and control over the local population. In Western history, Spain's conquest of the Aztec and Inca empires is a good example of this form of imperialism, because in these cases the Spanish conquerors obliterated the Aztec and Inca civilizations. The Spanish violently annihilated their colonial targets and created vibrant and lucrative colonies based on their own language, culture, history, and economic imperatives.

The second form of imperialism – informal imperialism – has some similarities and differences with formal imperialism. An important similarity is that this kind of imperialist also needs the military capabilities to dominate and destroy its colonial target. The imperialist shares the similar goal of making the colonial target obedient and subservient to the imperial power and the imperial project. However, the goal is not achieved through territorial conquest but through political and economic control over the colonial target. This kind of imperialist seeks to control other states in order to carry out its imperial project. In this kind of empire, being a strong military power is not enough to maintain imperial success. The other leg of this empire is economic prowess. Commanding financial circuits is crucial for the success of this kind of empire. The imperialist's ability to visit financial ruin on a colonial target is the trump card. While violent coercion might be needed in this kind of imperial endeavor, economic pressure with the threat of military coercion is usually enough to ensure obedience to the imperial power. There are various military-economic empires of the past, which were based on a tribute system and protection racket, that more or less fall within this category, but with the sophistication of the global financial system since the end of World War II, the United States' military-economic empire of control of the mid-to late twentieth century is the best example of informal imperialism in Western history. The US dollar is the trump card of this empire and it is backed by the high-tech US military machine.

Both of these forms of imperialism and their geographical productions can be used apart or together to achieve imperial success. Britain's empire in the eighteenth century and nineteenth century best illustrates the blending of multiple forms of imperialism and with great long term success. Other would-be imperialists and wannabe superpowers have undertaken imperial projects with varying degrees of success and failure, and these historical examples, such as Napoleonic France or Kaiser Wilhelm's Germany, illustrate that there can be huge divides among intentions, strategies, and outcomes.

Regardless of the forms imperialism may take, the purveyors of imperial processes seek to extend, impose, and maintain hierarchies of political, economic, and social domination over other states or stateless communities for exploitative purposes. They produce scale and social relations in such ways as to promote and maintain obedience and subservience to the imperial power and imperial project.[27]

Imperialism and Hegemony

A major problem with the concept imperialism is its own academic history. Part of that history is the conflation of imperialism with hegemony in discussions on inter-state relations at the regional and global scales. A compounding factor is the current conceptual climate in which imperialism is the proverbial baby thrown out with the bathwater. Today, many Marxists and non-Marxists theorists alike seem to have no use for the term imperialism, and instead prefer to focus on the primacy of capital in globalization[28], or use notions of hegemony, such as Arrighi (2007, 2005a, 2005b, 1994) and Harvey (2010), and the related idea 'dominance without hegemony' (Guha 1992). All of these terms are ways to theorize and understand the competition for power and wealth. Conflating hegemony and imperialism is a mistake, because both concepts have their own (sometimes overlapping) explanatory power.

For example, in the 1800s, many European states had been 'racing for their place in the sun,' conquering lands and peoples in Africa and Asia. All of them used imperialistic processes to inflate their own territory, status, power, and wealth, but the British ruled over this whole system. The partition of Asia and the Open Door Policy in China is a good example of British hegemony over a system subordinated states, which included the United States and Japan, who were happy to benefit from Britain's control over Asian states and happy to acquiesce to British

[27] The ideas of ownership, control, and obedience come from two lectures delivered by Noam Chomsky in Chomsky, Imperial Grand Strategy: The Conquest of Iraq and The Assault on Democracy 2006a.
[28] For example, Michael Hardt and Antonio Negri, *Empire*, Cambridge, MA 2000. This research study rejects Hardt and Negri's arguments.

hegemony in the region (at least in the nineteenth century). States have imperialism in their geopolitical arsenal whether they are a hegemonic or a subordinate state.

The terms most often associated with hegemony are leadership and domination. Gramsci's idea of hegemony was developed in the context of his analysis on capitalist societies of the 1920s and 1930s as well as his understanding of the early years of the Soviet socialist state.[29] According to R. Cox, Gramsci utilized an idea of hegemony current at the time in the Third International, that is, the idea that "the workers exercised hegemony over the allied classes and dictatorship over enemy classes" (1983, 163).

Gramsci took that notion of hegemony and applied it to the bourgeoisie to figure out in which states the bourgeoisie had attained hegemony over other classes. An important element Gramsci was interested in was the power of ideas – of consciousness and ideology. He built on Marx's idea that man's social existence will determine his consciousness. "The mode of production in material life determines the general characteristics of the social, political and spiritual processes of life. It is not the consciousness of men that determines their existence, but, on the contrary, their social existence determines their consciousness" (Marx quoted in Wilk 1996, 85).

Gramsci found that states with longer capitalist histories had more entrenched bourgeoisie power in the structures of civil society. The bourgeoisie's hegemonic rule / role allowed it (as a class) to use beliefs and ideas to regulate and maintain systems of domination and exploitation. And that is what made them hegemonic – their ability to mobilize beliefs and

[29] Perry Anderson (1976) is quite right to point out that the very context of Gramsci's writings on hegemoney as well as Gramsci's own struggle with re-working the concept have created dissent and confusion over concept itself.

ideas (in popular culture) to blind people from their own best interests (from Marx's notion of false consciousness). Based on his theories, Gramsci reformulated his notion of the state to move beyond the features of government to include how its apparatus and institutions are constrained by the hegemonic class, the bourgeoisie. He then considered how the structures in civil society helped to reproduce the power of the leading class as well as accounted for the foundations for political structures in a given society.

Gramsci borrowed ideas from Machiavelli and realized that the maintenance of hegemony includes the blending of consent and coercion. Hegemonic groups can usually rely on their power (in the structures of civil society and in its power over government) to achieve conformity. Coercion is applied in exceptional cases of deviation from conformity.

Gramsci's concepts of hegemony are also applied to power relations among states in international studies (R. Cox 1983). The world is comprised of a multiplicity of states, and some are powerful and wealthy, others are subordinated to these states, others are rivals, and some states are peripheral to the whole system. For a state to become hegemonic at the world scale, it has already undergone social and economic transformation, in which a social class has become dominant and achieved national hegemony. Social, economic, and political development continue over time, and its success allows it to achieve 'model' status.

R. Cox finds that "Hegemony at the international level is thus not merely an order among states. It is an order within a world economy with a dominant mode of production which penetrates into all countries and links other subordinate modes of production" (1983, 171). World hegemony has to be "a social structure, an economic structure, and a political structure" (1983, 171-2). Conformity to the hegemon and the dominant mode of production is eased through universal norms (via international organizations[30]), institutions (e.g., for world monetary and trade relations), and mechanisms for relations ('rules of behavior') (1983, 172). A dominant state secures the allegiance of second-rank states, and the dominant state achieves the status of world hegemon.

Arrighi (1994) argues that the notion hegemony has more currency (than imperialism) for realizing how a hegemonic state leads a system of states at the international level. A dominant state can 'lead' other states in two general directions: (1) in a direction perceived as in the general interest (by consent) and (2) against states' interests (by coercion).

A state achieves hegemony when its subordinates willing acquiesce to its leadership and domination, because they perceive the hegemon's rule as serving collective interests. All subordinate states in that particular system share a compatible interest(s) and accrue some sort of benefits from the hegemon's rule. In terms of Arrighi's systemic cycles, "mastery of the balance of power in the inter-state system was essential to the empowerment of the rising hegemonic state" (Arrighi 2005b, 33). The rising hegemonic state coordinated the spatio-temporal fixes of 'creative destruction' that allowed for continued capital accumulation within the system of states.

A state's hegemony diminishes when subordinate states no longer see it as a credible leader of collective interests, instead focused on its own national interests at the expense of

[30] R. Cox relates that international organizations carry out the following for the hegemon: "(1) they embody the rules which facilitate the expansion of hegemonic world orders; (2) they are themselves the product of the hegemonic world order; (3) they ideologically legitimate the norms of the world order; () they co-opt the elites from peripheral countries and (5) they absorb counter-hegemonic ideas" (1983, 172).

other states. The hegemon resorts to dominance through coercion, or what is referred to as sheer dominance, dominance without hegemony, and what Arrighi also refers to as dominance without hege*money,* e.g. the case of the U.S. by the 2000s.

The waters of imperialism and hegemony are muddied by the conflation of these terms, the orphaning of imperialism, as well as adherence to a strictly territorial interpretation of imperialism. All of these issues make it a bit difficult to fully utilize the explanatory power of hegemony and imperialism in modern cases like the United States. For example, Harvey (2003) argues that the U.S., the perceived current world hegemon and fourth systemic cycle, has lost its hegemony (and hegemoney) and has resorted to sheer domination. This is due to a failed imperial project undertaken during the Bush administration by a handful of neoconservatives, the Cheney, Rumsfeld, Wolfowitz triad. They were plotting and planning for an American Empire vis-à-vis their *Project for a New American Century*. This plan was meant to ensure continued American power for American interests (versus collective interests) over the rest of world. Pace Arrighi, the 'E' and 'I' words have been resurrected to understand this latest and failed American imperial bid (2005a).

The argument has been made that America's imperialistic activities started much earlier than the Bush administration. America's nation building in the eighteenth and nineteenth centuries rested on intense internal imperialism, which by the early twentieth century had made America into a continental-sized country with vast natural and human resources. This long history of internal imperialism helped set the stage for America to seize hegemony by the end of the chaotic World War I through World War II period. America's de facto superpower status after WWII placed it in a hegemonic role so as to maintain Western control over colonial-era economic ties between the core and periphery established under the British Empire and nineteenth century British hegemony. This American empire of control would operate without the use of territorial colonies but with the use of strong military and economic powers (Magdoff 2003). America enjoyed hegemony over a system of (mostly) Western nation-states because they shared collective economic interests, and America upheld the conditions and created international institutions for those interests, i.e. the continued economic obedience and subservience of the old colonial world to the Western world. The Western legacy of imperialism and colonialism played a significant part in the making of America's hegemony. America used its hegemonic position to consolidate a military-economic empire of control, which worked well enough until the latter part of the twentieth century. Under the Bush administration, a more aggressive imperial approach tending towards ownership was adopted that appears to undermine its hegemony as subordinate states did not support this change in American geopolitics.

Both hegemony and imperialism have tremendous explanatory power, and what is really intriguing is the disappearance of imperialism as a term since the Post-WWII era, a disappearance that coincides with American hegemony. Neil Smith discusses how the makers of American hegemony tried to naturalize the American Century, trying to make it "beyond empire and beyond reproof" (Smith 2003, 20). This situation illustrates the saturation of American hegemony and Western capitalism through consent (with some exceptions of coercion in the periphery) in the Post-WWII era until the quagmire of Vietnam and the stagflation of the 1970s.

Arrighi states that the 'E' and 'I' words are back because the latest hegemonic power has lost its grip and resorted to all sorts of imperialistic forms to maintain its power and wealth. Empire and Imperialism never went away. America took a different path to hegemony and empire than its predecessors, especially compared to Britain which built its hegemony on the foundation of a territorial empire, but America's path reflects its particular space-time context and historical development. America's imperial project came of age in a time of unheard of technological advancements, global capitalist exchanges, and territorial warfare. Empire and Imperialism are fundamental to the expansion, consolidation, and maintenance of a global capitalist system and the hegemonic power is the purveyor of this process, whether it is Britain in Asia in the 1860s or the United States in Latin America in the 1950s. These hegemonic powers reap power and wealth from their position at the top of the hierarchy, and at the same time, they create the conditions for their own eventual creative destruction and continued capital accumulation elsewhere.

Imperialism, Capitalism and Crisis

The 'E' and 'I' words were used with full force at the beginning of the twentieth century. John Arthur Hobson and Vladimir Lenin's analysis of European imperialism in Africa and Asia sought to better understand why a new race for territorial colonies became so intense in the mid-to late 1800s.[31] Hobson and Lenin distinguish their analysis of empire and imperialism from an earlier 'old' version, and refer to their round of Western empire and colonies as 'new imperialism.' Hobson and Lenin concluded that these new imperial endeavors were linked to crisis in capitalism. Lenin was particularly interested in capitalism's tendency to decay as well

[31] John Arthur Hobson's *Imperialism* (1902) and Vladimir Lenin's *Imperialism: the highest stage of capitalism* (1907).

as the true foundation of imperialism in industry and business imperatives in the industrialized nations (Lewis and Malone 1996). They emphasized the role of increased competition at home as the driving force behind the expansion of capitalists and capitalism into new markets for investment and profit. Based on Hobson and Lenin's analysis, crisis in Western capitalism sent the Europeans on an imperialistic orgy that altered the geography and social relations of Africa and Asia, cementing late nineteenth and twentieth century Western capitalists' control over key territories, resources, markets, and labor forces in Africa and Asia as well as cementing Western states' colonial empires and their inter-state rivalries that exploded into World War I.

The period of new imperialism that Hobson and Lenin analyze needs to be situated within the longer historical perspective on chronic crises in capitalism set forth by Arrighi and also explained by Harvey's research. Capitalism's chronic tendency to crisis raises alarm, considering the frequency of crises and the kinds of solutions that are sought out to fix crises. Understanding capitalism's chronic tendency to crisis plays an important part in understanding the relation between imperialism, capitalism, and the production of spatial scale and social relations.

Harvey's (2010) analysis of the history of capitalist crises and its expansion lays out the "fluid and flexible character of capitalist development … this perpetual repositioning of one barrier at the expense of another and so to recongnise the multiple ways in which crises can form in different historical and geographical situations." He emphasizes that crises are the "irrational rationalisers of an inherently contradictory system. Crises are … as necessary to the evolution of capitalism as money, labour power and capital itself" (2010, 117). Crises are endemic to capitalism, and solutions to crises have historically relied upon imperialistic activities to alleviate limits and barriers to capital accumulation. However, the dialectical relation between imperialism and capitalism forever casts impermanence on solutions to capitalist crisis.

During phases of material expansion (a phase of continuity), imperialism played a role in economic development and growth of an emergent state's path to hegemony, most clearly in the cases of the Genoese-Iberians, the Dutch, and the British. Arrighi identifies the agents of "long-distance trade, high finance, and related imperialistic practices (that is, war-making and empire-building activities)," which were less spatially-bound to the political state, but they generated important profits (2005b, 91). According to Arrighi, imperialistic practices were more valuable sources of profit in the earlier long centuries, but he also states that agencies carrying out imperialistic processes in the later long centuries are just as imperialistic. This situation is due to "an increasing interpenetration of the capitalist and territorialist logics of power" (2005b, 91). From the Genoese to the Dutch, British, and Americans, imperialistic activities were an important foundation for their material expansions. Once these hegemons hit the proverbial wall of capitalist crisis, their turn to financialization was also linked to imperialistic activities.

Imperialistic practices aided in the solution to overaccumulation problems, opening up new spaces, production and consumption markets, and resources to alleviate capitalist crisis. Accumulation by dispossession takes over in these periods of financialization as states increasingly compete for mobile capital, using both their state and war-making capabilities.

Arrighi contends that "imperialism of the capitalist sort is an aspect of the recurrent struggles through which capitalist states have used coercive means in the attempt to turn in their favor the spatial shifts entailed in the 'endless' accumulation of capital and power" (Arrighi 2005b, 85).[32]

From his analysis on the historical geography of capitalism and systemic cycles of accumulation, Arrighi partially agrees with Hannah Arendt's argument that "imperialism must indeed be considered 'the first stage in the political rule of the bourgeoisie rather than the last stage of capitalism.'" He adds that this understanding needs to start with the Italian bourgeoisie in fifteenth century city-states, such as Florence, Venice, and Genoa (2005b, 91). This understanding, pace Arrighi and Braudel (2005b, 95), also needs to include why "the territorial scale of the dominant centre of accumulation had somehow to grow in step with the increase in the spatial scale of the system," hence the need to more closely examine the scalar imperialisms of Arrighi's four systemic cycles and their territorial and capitalist logics of power.

The fourth cycle under American hegemony is particularly important since it presents various differences as compared to the earlier cycles. One particular difference is a matter of understanding imperialism. As this research study advocates, a more flexible understanding of imperialism and empire is needed to address America's imperialism and hegemony, along with crises and attempted fixes in its long century. A more territorially-based form of imperialism, as Harvey (2010)argues, may not be well adapted to solve capitalist crises in the current geopolitical and economic context. He suggests that perhaps the new role of imperialism is to use the "rest of the world as a site for opening up new forms of capitalist production" (rather

[32] Arrighi uses the term endless to mean both 'never ends' and is an 'end in itself'.

than “robbing values and stripping assets”) (2010, 113). The export of capital to the rest of the world would be a crucial factor. Harvey alludes to financial hegemony as a decisive factor in the American phase of discontinuity (2010, 212).

Conclusion

The term imperialism is so weighed down by its own real world and academic history in addition to its conflation with hegemony. Rather than push the term imperialism to the side though, it is better to shake it off and revitalize it. A basic and elastic notion of the general imperial process is when agents, organizations, institutions, and/or states seek to extend, impose, and maintain hierarchies of political, economic, and social domination over other states or stateless communities for exploitative purposes. Imperial strategies may tend towards ownership or tend towards control, but the overall goal is to create a hierarchy of states (and stateless communities) that are obedient and subservient to the interests of the imperial power and imperial project. This basic concept will have greater explanatory power when brought together with Arrighi and Braudel’s longer history of capitalism. Situating an analysis of scalar imperialisms in these systemic cycles may illustrate what makes the overall cycle-to-cycle pattern rational to the expansion of capitalism but irrational for people living under capitalist crisis, creative destruction, dispossession and uneven geographical development.

Chapter 3: Methods

Introduction

At the heart of this research study are dialectical relationships. Capitalism and imperialism share a dialectical relation that has shaped the ways in which capitalism became a world-economy and then regenerated its global supremacy with each successive phase of accumulation. This has not been an easy process, as crises, contradiction, volatility, and chaos tend to recur in systemic fashion. Also, the dialectical relation between the state and capital plays a fundamental role in the dialectical relation between imperialism and capitalism.

Marx's dialectics and dialectical materialism are used as an overarching and guiding method of inquiry to better understand these dialectical relations. Also, Harvey's historical geographical materialism is used to help to specify the ways in which these relations result in the social production of particular scales and social relations.

This research also makes use of ways to bridge the abstract with the real world, past and present, and then offer a new conceptually informed narrative of capitalism's history. Andrew Sayer's method of geohistorical synthesis and Eric Wolf's method of descriptive integration are used to reformulate the history of capitalism's expansion as absolutely reliant on imperialism for its reproduction and transformations.

Dialectics

Dialectics as a method of inquiry

Bertell Ollman (1993) explains how dialectics is a powerful way to approach transformations in capitalist social systems. Ollman relays that this method of inquiry "restructures our thinking about reality by replacing the common sense notion of 'thing,' as something that has a history and has external connections with other things, with notions of 'process,' which contains history, its history and possible futures, and 'relation,' which contains as part of what it is its ties with other relations" (Ollman 1993, 11).

Dialectical investigations utilize the following methodological tools: (1) the philosophy of internal relations; (2) the process of abstraction; (3) three modes of abstraction – extension, level of generality and vantage point; and (4) relations. Marx's philosophical presuppositions deal with internal relations.[33]

For Marx, unlike economists, capital is a relation, and as a complex relation the heart of capital is its "internal ties between the material means of production and those who own them, those who work on them, their special product, value, and the conditions in which owning and working go in is to know capital as a historical event, as something that emerged as a result of specific conditions in the lifetime of real people and that will disappear when these conditions do." The connections between the parts of capitalism – "the means of production to labor, value, commodity, etc., are interiorized as parts of what capital is" and these relations go backward and forward in time influencing how capital has evolved and its future directions

[33] The history of ideas – the philosophy of internal relations – is drawn by Marx from philosophers such as Leibniz, Spinoza, and Hegel, who all shared the idea that "the relations that come together to make up the whole get expressed in what are taken to be its parts" (Ollman 1993, 35).

(1993, 34). These relations are also necessary and essential, they are internal relations and the philosophy of internal relations underlies the process of abstraction.

The mental process of abstraction is the key to dialectical thinking.[34] Marx's process of abstraction begins with the 'real concrete' – the everyday world in all its complexity – and moves through a process of abstraction, an "intellectual activity of breaking this whole down into the mental units with which we think about." The process of abstraction moves towards what Marx termed the 'thought concrete,' the "reconstituted and now understood whole in the present mind" (1993, 24). The process of abstraction is premised on pulling a part or parts from the real concrete, the whole, and studying these parts through the process of abstraction. During this process, characteristics of 'objects' of interest are established as well as the dialectical thinker's commitment to particular sets of relations between these objects as both a criteria for classification and as a mode of explanation.

The process of abstraction has three modes that set boundaries and degrees of focus, and these modes are: extension, level of generality, and vantage point. These three aspects of the process of abstraction enable a variety of perspectives that highlight differences in what can be perceived and what is more significant for understanding the whole.

Every act of abstraction utilizes the abstraction of extension, the setting of boundaries in time and space with regard to the part abstracted. Second, every act of abstraction establishes

[34] Ollman stresses that the notion of abstraction is an abstraction; he abstracted it from Marx's dialectical method, his theories and, more broadly, the life and work of Marx himself. The intellectual activity of abstraction bears similarity to basic thought processes, such as thinking, perception, conception, definition, and reasoning. However in the process of abstraction, Ollman asserts, "we have simply separated out, focused, and put emphasis on certain common features of these other processes" and this process is "neither easy nor obvious." In fact, he finds that most people are "lazy abstractors" – they accept without critical examination the mental units passed to them through 'culture' (Ollman 1993, 25-26).

a level of generality. This mode of abstraction focuses on a part and the system it belongs to in order to see under magnification the special qualities of a part and the whole system. This abstraction of level of generality moves from what is most specific about a part to more general characteristics that it may share with others. At the same time as these two abstractions occur, a third abstraction, abstraction of vantage point, establishes a vantage point or place "within the relationship from which to view, think about, and piece together the other components in the relationship." Simultaneously, the abstraction of extension allows for "the sum of their ties" to be another vantage point for understanding the whole (Ollman 1993, 40).

The primary focus of dialectics is relations. Marx identified four kinds of relations, and these relations illuminate how something works or happens along with the whole system that allows for such things to happen and work in that way.

The first relation – identity/difference – investigates how things are the same and different. For example, Marx notes the differences between profit, rents, and interest and he distinguishes their identity as forms of surplus value. This relation helps to gain in-depth and comprehensive descriptions of things.

The second relation – interpenetration of opposites – is used to emphasize that "to a very large degree how anything appears and functions is due to its surrounding conditions" (Ollman 1993, 14). Studying changes in this relation of a part helps to elucidate the complexity of the part and its relation to the whole system.

The third relation – quantity/quality – is a relation "between two temporarily differentiated moments within the same process" (1993, 15). Ollman finds that any process, which is a relation composed of many aspects, begins with a quantitative change in one or more of its aspects, and at a certain contingent point a qualitative transformation occurs, which is demonstrated by a change in appearance or function. Ollman relays Marx's example of money and capital. When money accrues to a certain amount, it becomes capital – achieving the ability to purchase labor power and gain surplus value.

The fourth relation – contradiction – plays a vital role in making dialectical sense of capitalism. Ollman defines contradiction as "the incompatible development of different elements within the same relation, which is to say between elements that are also dependent on one another" (1993, 15). The paths of development of differences intersect in mutually beneficial ways as well as ways that block, interfere and undermine. For dialectical thinkers, contradiction lies at the heart of understanding capitalism, and all change in capitalism stems from capitalism's inner contradictions. By considering things as relations and utilizing the relation of contradiction, dialectical thinkers can strive to understand the underlying forces of capitalism and the "main causes of *coming* conflict" (Original emphasis 1993, 17).

Historical-Geographical Materialism

David Harvey's (1985) historical-geographical materialism helps to understand the geographical consequences that are part of the capitalism – imperialism relation. Harvey focuses on the interplay between concrete and particular geographical space and the capital accumulation process – the formation and re-formation of geographical landscapes under the circulation of capital. For Harvey the historical geography of capitalism is characterized by an endemic probability of crises and chronic instability in geographic configurations, because of the tension between production and absorption of surpluses of capital and labor. These crises of overaccumulation are temporally and spatially displaced with serious repercussions. The creative destruction – the formation, destruction and reformation – of geographical landscapes is a critical facet of the geography under capitalism.

Scale research as well as Harvey's research focuses on the politicized and contested nature of the production of space, scale, and social relations through the lens of the dialectical relation between the state and capital, especially within the post-1970s trend of globalization. Harvey's historical-geographical-materialism can be extended to include the tumultuous dialectical relation linking capitalism and imperialism. His approach can also be stretched to cover a longer timeline in the formation, destruction, and reformation of geographical landscapes and social relations under capitalism since the 1400s.

Sayer's Geohistorical Synthesis & Wolf's Descriptive Integration

The explanatory power of any concept increases when a concept is engaged with historical and current real world contexts. Both Sayer (1989) and Wolf (1999) offer ways to approach contextual elements that are required for understanding social phenomena, especially in terms of ways to balance theory and case material in the making of a new and conceptually informed examination.

Sayer's geohistorical synthesis comprises a conceptually informed and informative narrative. Geohistorical synthesis is an appropriate method of research to use when explanation should not be divorced from its setting, such as studying less enduring structures that are influenced by their geohistorical contexts. He offers an approach to narrative that moves beyond the synchronic and lends itself to telling a conceptually informed story in a more fluid, dynamic, and relational way.

Wolf's descriptive integration stems from Alfred Kroeber's 'conceptual integration' approach from the 1930s, which Robert Redfield refined in the 1950s, and then Wolf (1999) further elaborated in his anthropological work. Descriptive integration is an approach that "preserves the 'quality' of phenomena and their relations to each other in time and space," i.e. their social, cultural and political-economic contexts (1999, 18). In this way, the researcher can situate human groupings in the world and examine the transformative activities and ideas of these groups, such as how they transform and alter their environment and social relations.

Wolf explains that the "description and analysis of phenomena necessarily involves selection, which assigns priority to some kinds of information over others according to one's theoretical perspectives," and these perspectives "are predicated upon generalizations developed within the larger" research project (1999, 18). In this study, privilege is given to four very particular 'human groupings' – Arrighi and Braudel's four successive regimes of capital accumulation and how they transform capitalism into a worldwide system. Analysis of how human groupings transform their world is a significant element in Wolf's approach. He states that this requires attending to "who commands the labor available to the society and how this labor is marshaled through the exercise of power and the communication of ideas" (1999, 18). Ideas are a key part of this approach, because as Wolf recounts, "ideas take forms of their own that are not directly deducible from material or social facts, but they are implicated in material production and social organization and thus need to be understood in such contexts" (1999, 18-19).

Conclusion

A dialectical approach underlies this research study. A core focus is on theorizing the dialectical relation between imperialism and capitalism, and then integrating it with the relation between the state and capitalism in a reconceptualized understanding of capitalism's history. These dialectical relations result in a historical process that ties each successive hegemonic regime and their scalar productions into a long causative movement of chronically unstable, contradictory, but ultimately expansionary scales of capitalist accumulation that dominate and structure space and social relations. Each successive hegemonic regime of capitalist accumulation and its scalar productions are internally related to the previous one – they share a systematic interconnection with each other and with the expansion of capitalism system.

Chapter 4: Scalar Imperialism

Introduction

This research study is particularly interested in bringing imperialism back into the theoretical dialogue on the social production of spatial scale and social relations under capitalism. Capitalism and imperialism have shared a long and storied history, a history that is internally related many scales over to the current hegemonic phase and its modern day challenges and practices.

Too many contemporary social theorists have discounted imperial practices as irrelevant or as historical artifact. It is a monumental theoretical misstep to relegate imperialism to the dustbin of history and it is also a mistake to miss out on uncovering the long term dialectical relation between capitalism and imperialism. A scalar imperialism concept applied to the regimes of accumulation identified by Braudel and Arrighi can illustrate that Western capitalism is systemically reliant on various forms of scalar imperialism. This reliance helped expand capitalism into a world-economy and this reliance is found throughout the life of Western capitalism, from the fourteenth century to the twenty-first century.

Conceptualizing Scalar Imperialism

Dialectical Relations – Capitalism and Imperialism

Capitalism is fundamentally expansionary, requiring an ever expanding scale and scope because of its internal contradictions, and therein lies its dialectical relation with imperialism. The dialectical relationship shared between capitalism and imperialism is characterized by internal relations and contradiction. The internal relations linking capitalism and imperialism are necessary and essential, but they also are contradictory and oppositional. Capitalism and imperialism exist in mutually beneficial ways – they have to in order for the scale, scope, and pace of capitalism to continually increase.

Nonetheless, capitalism and imperialism exist in contradictory ways that wreck havoc on the human participants and environments involved in that relation as well as on capitalism itself. The systemic chaos created in phases of discontinuity often threatens the viability of the capitalist system. This relationship between capitalism and imperialism is contradictory, and for dialectical thinkers, contradiction lies at the heart of understanding capitalism, and all change in capitalism, especially its expansion, stems from capitalism's inner contradictions.

Imperialism plays a fundamental role in the recurrent cycle of expansion, contradiction, financialization, chaos, and resolution. In the history of Western capitalism, imperialistic activities underlie the original expansion in the Genoese phase as well as play important roles in other phases' material expansions. Every phase of material expansion ends with a resurgence of capitalism's inner contradictions. As discussed by Harvey, Smith, and Arrighi in Chapter Two, capitalism's inner contradictions eventually push to the forefront of capital accumulation processes and create crises of overaccumulation, which are endemic to capitalism. Imperialistic practices, among other attempted solutions, are mobilized by government-business complexes to help fix these barriers to continued capital accumulation, using both spatio-temporal and scalar fixes. However, these fixes have historically contributed, as part of the larger turn to financialization and accumulation by dispossession, to the intensification of inter-capitalist struggles and inter-state conflict.

Imperialism is internally related to the continued expansion and growth of capitalism. As hegemonic government-business complexes have successively conquered and consolidated new territory and peoples under capitalism, they have successively produced and deepened the capitalist world-economy. On the other hand, imperialistic activities also undermine the systemic health of capitalism by causing and deepening conflicts and barriers that disrupt the capitalist world-economy. Based on the historical record, warfare dominates phases of discontinuity. Warfare is very profitable, but widespread and persistent warfare can seize up the commercial enterprises and financial structures crucial for the MCM' version of capital accumulation which underpins a hegemon’s material expansion.

Western capitalism and imperialism have a long-standing dialectical relationship in Western history. Capitalist-oriented government-business complexes have consistently relied on imperialistic practices for material expansions and for fixes to crises encountered in their capital accumulation processes. The broad scale pattern evidenced by this dialectical relation between capitalism and imperialism is one of instability, because solutions to capitalist crises inside of the hegemonic homeland are usually alleviated by extending, imposing, and/or maintaining the hegemon's hierarchies of political, economic, and social domination over other states or stateless communities for exploitative purposes as well as purposes more narrowly defined as 'national interests' (versus collective or system-wide interests). Over time these imperialistic maneuvers by the hegemon tend to exacerbate capitalist crises and volatility. Crises and volatility do create opportunities for finance capitalists and for would-be hegemons, whose abilities to quell crises and restore system-wide order and profitability signal a coming shift in hegemony and a temporary end to the dominance of finance capital.

Crises and volatility, what Harvey termed the 'irrational rationalizers,' help to right the proverbial capitalist ship under a new captain and crew that can continue capital accumulation processes at a larger scale, extensive scope, and rapid pace. The internal relations and contradictory nature of the capitalism – imperialism relationship plays a fundamental role in linking each successive regime of accumulation together into the main forces driving major historical events in human history and change in capitalism's history. This dialectical relation between capitalism and imperialism articulates with the dialectical relationship between the state and capital in each regime's long century.

Dialectical Relations – Capitalism, the State & Imperialism

Scalar imperialism is not a stand-alone concept. It has quite obviously been conceptualized and developed within the existing literature on the dialectical relationship between the state and capital (as covered in Chapter Two). The dialectical relation between capitalism and imperialism comes into being when it articulates with the dialectical relationship between the state and capital during particular spaces and times when hegemonic political and economic powers rule over and expand the capitalist form of economy. Capitalism only succeeds under the auspices of a hegemonic regime that expands the scale, scope, and pace of capitalist activities. Braudel and Arrighi's four long centuries are these particular spaces and times. The expansion of the capitalist system by these hegemonic government-business complexes indirectly and directly required empires. Arrighi's territorialist and capitalist logics of power / modes of rule bring into focus the often contradictory inner workings of hegemonic states that in seeking their own power, wealth, and empire supported capitalists and a global capitalist system that brings decay to the hegemonic homeland.

Both the capitalist and territorial logics of power / modes of rule operate imperial activities. Dominantly capitalist rulers strategize the takeover of key resources and territory to exert downward control on mobile capital. Dominantly territorialist rulers seize territory and people, creating a territorial empire and thus control over mobile capital. Both strategies are used to attain power and control over mobile capital, to exert their domestic and imperial powers to pull mobile capital within their domains. These two logics of power share a dialectical relationship, and in one particular phase – the British phase – these two logics of power were amiably mixed into a powerful strategy of global domination. Regardless of the amiability or incompatibility of these logics of power in any phase, all four of Arrighi's hegemonic regimes contributed to the expansion of the capitalist system into a global system.

The state and its ruler(s) are the regulator, mediator, and all around accomplice of capitalist agents, because statesmen and stateswomen want value to continue to flow into and through their geography and in and through certain sets of social relations. At the same time, the state and its ruler(s) must block rivals and even its allies from superseding them in capturing wealth and mobile capital. In the first three phases or long centuries, imperialism played an overt and fundamental role in maintaining capital accumulation in the hegemonic homeland and for the leading government-business complexes. In phases of material expansion and financial expansion, imperialism helped to circumvent limits and barriers to capital accumulation at home by drawing on resources, markets, and the wealth of colonial possessions. In phases of material expansion, a fairly amiable relation between government officialdom and capitalist agencies reigns, but in phases of discontinuity the contradictory nature of any government-business complex sharply intensifies as capitalist agencies continue to seek profits outside of the more narrow and spatially-bound national interests of states.

While phases of financialization can be a belle époque for the leading capitalists, financialization deepens the crisis. Even as the hegemonic state supports the turn to finance capital, this kind of spatio-temporal fix exacerbates the economic problems faced by the state. The hegemon's spatio-temporal fixes, scalar fixes, and use of accumulation by dispossession deployed to shore up its power and wealth can wreck havoc on domestic and foreign populations, intensifying inter-capitalist and inter-state struggles.

In the first three long centuries, no hegemonic government-business complex was able solve their terminal crises, contain the expansionary logic of capitalism, nor keep capital accumulation tethered to their hegemony let alone their empires. These past hegemons were unable to successfully shift the crises elsewhere. They could not stem devaluation and capital flight from their territory, and they could not control devaluation within their boundaries.

Arrighi adds to this complicated relation the complicity of states assembled and led by a hegemonic power. These subordinated states in the system as well as the hegemon used imperialism as part of their geopolitical agendas, and these agendas invariably conflicted with one another. This historical process of competing national interests was fraught with economic crises and violent political and economic struggles, within and outside of the dominant system of states.

The history of Western nation-states and its inter-state conflicts is rife with persistent warfare and bloody conflict. It has been a dangerous and vicious process. Imperial struggles became much more intense once the hegemon and its leading capitalist agencies turned to financialization. The dangerous and volatile phase – what Arrighi termed a phase of discontinuity – is necessary for the continued expansion of capitalism, because these crises helped to restructure and stabilize capitalism in such a way that restores profitability but restores it somewhere else. Uneven geographical development is fundamental for the health of capitalism, and Arrighi's use of systemic cycles illustrates the relationality of the scalar history of capitalism and the contested and unstable a process it has been.

The Internally Related Scales of Hegemonic Regimes of Capital Accumulation

Imperialism is an absolutely crucial element in the scalar expansion of capitalism into a world system. The conquest of scale is a major political and economic goal. Two important and mutually inter-dependent parts of this goal are (1) control over the production of material and discursive space and (2) control over social and economic interactions within a given scaled space. The main driver of this system, given the materialist perspective adopted in this research, is the economic base. While scales and social relations are not ontological givens and are consistently in a state of flux, they are often controlled and naturalized by government-business complexes (using elements considered superstructure) as the reality, in which inequalities are built into the structures of any given reality. There is a struggle to establish this reality, maintain this reality, and reformulate this reality when crises occur.

By looking at the longer history of scalar imperialism, the dialectical relationships between the phases of capital accumulation and their constructed realities are clearly evident. Each phase's contradictions, crises, and attempted solutions allows for the rise of another phase's material expansion, and so on. Each hegemonic government-business complex's production of scale and social relations is internally related, in a broad sense, to the next hegemonic government-business complex's scalar productions. The making, destroying, and re-making of space, scale, and social relations is necessary and essential for continued capital accumulation and for success of the capitalist system. Each hegemonic government-business complex has played its role as the dominant purveyor of capitalism, enjoyed the benefits from this role, and eventually must give up this role. The friction in this process is what makes it volatile.

The social production of scale is embedded in the dialectical relation between capitalism and imperialism. This is an indispensable lens to understand the scalar productions of the successive hegemonic regimes as well as the relentless scalar expansion of capitalism. Important components of this process are endemic crises in capitalism and imperialistic scalar fixes.

In general, scalar fixes are about fixing capital accumulation and the generation of surpluses in particular geographies, social relations, and infrastructures. In capitalist history, imperialist scalar fixes that displace and dispossess weaker states and stateless communities have been used by government-business complexes to keep value flowing through particular spaces, infrastructures, and social relations. These scalar fixes may solve or deepen crises in capital accumulation.

Typically, the imperial government-business complex produces scale in such a way as to coalesce territory and population. This strategy closely fits with Arrighi's capitalist logic of power / mode of rule. Coalescence strategies are typical in the first three phases of Western capitalism that utilize formal imperialism and emphasize the ownership of colonial territory, such as the Iberian-Genoese imperial project, the Dutch colonies, and Imperial Britain. However, a second strategy also closely associated with a capitalist logic pairs imperialist scalar fixes with the fragmentation of territory and population. The goal of this approach is to create manageable 'pieces' that are more easily subordinated and co-opted by the hegemonic government-business complex. Fragmentation approaches have been amiably paired with informal imperial approaches that emphasize control through military and economic power, such as America's empire in the mid-to late twentieth century. Coalescence and fragmentation can be mobilized as a dual strategy or used separately in different times and places.

Imperialistic scalar fixes, whether mobilizing coalescence and/or fragmentation strategies, undermine global trade relations because these kinds of fixes generally intensify conflicts. The variations in scalar imperialism change from cycle to cycle, because the historical process for each hegemonic group varies as historical conditions change and as capitalism as a system changes and expands. The broad pattern in Western capitalist history is one of instability, crises, and system-wide turbulence; and this is the normal pattern. The normalcy of this pattern is evidenced by the consistent creative destruction that is carried out during successive phases of discontinuity, producing a dialectical relationality among the scalar productions of each hegemonic government-business complex.

Conclusion

Western capitalism needs imperialism – it relied on imperialism for its early foundations and has perpetually sought a relation with imperialism to expand into a global system and maintain itself as a global system. Scalar imperialism describes the social production of spatial scale and social relations by hegemonic government-business complexes that worked within the dialectical relation between imperialism and capitalism. They worked to expand the scale of capitalism and deepen the power of a capitalist form of economy over other territory and people as this process was temporarily beneficial and immensely profitable for the hegemon.

This process has not been smooth. These regimes experience a cycle of expansion, contradiction, financialization, chaos, and resolution, which is characterized by chronic capitalist crises, volatility, and hegemonic shifts. A vital component in each phase and the linkages between phases is the use of imperialistic activities. Imperialistic practices have been used by hegemons, subordinates, and rivals, and these forms of imperialism have expanded and deepened capitalism as well as threatened the vitality of capitalism.

Chapter 5: Tracing Scalar Imperialism in the First Three Cycles

Introduction

Crises are systemic to capitalism. In the nineteenth century, Marx theorized that capital must conquer all spatial barriers in order to succeed, what he called 'annihilate this space with time.' Around the same time Engels was witness to the creative destruction that the British bourgeoisie wrought on the urban landscape and working class. However, Europeans did not invent capitalism or capitalist crises in the 1800s, although, both Marx and Engels were critically aware of the consolidation and dangers of the capitalist world-economy. What Arrighi and Braudel bring to light is "when and how capitalism rose above the structures of the pre-existing world market economy and, over time, acquired its power to reshape the markets and lives of the entire world" (Arrighi 1994, 10-11). Arrighi and Braudel show that what makes Europeans special to the history of capitalism is that they formed powerful states concentrating capitalist power. This system emerged out of systemic chaos and financialization – a phase of discontinuity – in the late 1300s and 1400s in the northern Italian capitalist enclave of Venice, Florence, Milan, and Genoa.

Foundations of Northern Italian Capitalism

Mongol Imperialism

The northern Italian capitalists made their early fortunes in the Eurasian trade that was fostered and protected by the Mongol Empire. The rise of the Mongol Empire in Asia around the late twelfth century and its imperial expansion in the 1200s altered the geography and social relations of Eurasia. The Mongols fostered relations with foreigners and promoted a trade expansion with Westerners. The northern Italians came to monopolize trade flows with the East.[35]

During this period of trade expansion, the Italian city-states had particular commercial / industrial niches.[36] The whole system was characterized by cooperation, 'complementarity,' and what Arrighi refers to as a "structural weakness of competitive pressures" (1994, 93-4). In the 'rising phase' of this trade system as more participants (business enterprises and cities) joined in trade and seemed to compete with one another, the actual result was the construction of "a volume of trade that was large enough to permit the opening up of new sources of supply … new outlets for the disposal of outputs … but would have been too large for a smaller number of units to organize effectively" (1994, 90). Increased participation in trade expanded the system and, for a little while, cooperation and profits prevailed.

[35] Arrighi (1994, 88) notes that this period of material expansion is not considered a systemic cycle, because as a rule the agencies that organize material expansion also organize financialization. In this period, only the Mongols could claim to have organized the trade, while the northern Italian capitalists will organize finance capital.
[36] For instance, the Venetians specialized in the spice trade with southern Asia and Genoa in the silk trade with central Asia. While Florence and Milan were both involved in manufacturing, textiles for the former and metals for the latter, both participated in overland trade with northwestern Europe.

Since the 1200s, the West-East trade had created a structural imbalance in European trade. European silver and gold went East purchasing prized goods, hence there were "strong incentives for European governments and businesses to seeks ways and means, through trade or conquest, to retrieve the purchasing power that relentlessly drained West to East" (1994, 35). Early in the Eastern trade, the Genoese merchants and some of their commercially-minded aristocratic allies created a new kind of group for the eastern trades – the *maone*. It was an "association of individuals established in view of a profit to undertake war-making and state-making functions, such as the conquest of Caffa [on the Black Sea] and the colonization of Chios [in the Aegean Sea]" (1994, 139). Arrighi remarks that these early organizations and their efforts to make in-roads in Central Asia were instrumental in forming the Genoese capitalist class. The merchants of Florence, Venice, Genoa, and Milan, backed by strong banking families and commercially-minded aristocrats, successfully monopolized important links in the East-West trade (as compared to their European counterparts) and profited, which caused inter-city rivalries and made them targets by their European neighbors.

The northern Italian city-states were urban, secular, and the seat of the Renaissance. These small places (territorially speaking) had capitalist empires stretching far beyond northern Italy, and they profited tremendously. Arrighi notes that by 1420 these city-states and their capitalist oligarchies were influential in European-wide politics and were as wealthy if not more so than the largest dynastic empires in Europe (e.g., the French, English and Swedes).

Volatility & Financialization by the 1400s

The cooperation in trade, the 'operating fraternity,' came to an end at some point in the early to mid-1300s. The material expansion was ending and cut-throat competition had begun.[37] As trade became constricted and constrained, inter-city struggles flourished. For instance, Genoa and Venice fought a series of wars, ending with Venetian victory with the Peace of Turin in 1381. Braudel identifies an 'Italian Hundred Years War' of consistent inter-state conflict, and he marks the Peace of Lodi (1454) as a return to stability and a balance of power in the inter-city system of the northern Italian region.

While northern Italian capitalists had undergone cut-throat competition in trade, wars created profitable investment opportunities. Profitable in the sense of a 'hostile takeover' of their competitors' markets, territories, and assets, and in the sense of future revenue streams from the political spaces in which they were embedded. Once the successful banking families captured these markets, territories, assets, and future revenues, wars became counter-productive to their bottom line.

During this turbulent time, it is also important to realize the internal feuding between powerful families that occurred in these city-states. In the Venetian Republic, these feuds were less destructive to Venice's overall capabilities in government and business enterprise, but for Genoa these feuds were "severe and uncontainable" (1994, 91). Arrighi emphasizes that in these external and internal struggles, ruling groups' capabilities in state-making and war-making (for more power) became more intertwined with the "pursuit of profit" and "city-states did not weaken but strengthened the control of these states by capitalists interests" (1994, 92).

[37] Arrighi defines cut-throat competition as "a kind of competition, that is, the primary objective of which is to drive other centers out of business even if it means sacrificing one's own profits for as long as it takes to attain the objective" (1994, 90).

Wars are expensive undertakings, and long term warfare caused fiscal crises and ever-increasing control of cities' purse strings by private banking families. This was a trend throughout the northern Italian region, and the most famous takeover was the House of Medici and the government of Florence. Arrighi finds that a key feature of the financial expansion in the northern Italian region in the late 1300s to early 1400s was a "tightening of the control of moneyed interests on the governments of the city-states" (1994, 92).

In this period of systemic chaos and the supersession of capitalists to government, Arrighi finds that there was "a structural intensity of competitive pressures, owing to the fact that some or all of the more powerful trading centers command more capital than they can invest profitably within their respective market niches and are thus driven to invade the market niches of other centers" (1994, 94). He relates this historical situation to Marx's notion of overaccumulation crises, and the way in which the Italian city-states' trading system had reached its limits and could not profitably absorb any more capital without causing decreasing profitability and decreasing security. This situation breeds the need for cooperation, that is, cooperation to boost the "overall security and profitability of trade only if it succeeds in restraining the tendency … to plow the profits of trade back in the further expansion of trade" (1994, 95).

The turn to financialization was heralded by the Florentine merchant bankers. Florence is the home of high finance, and Florentine merchant bankers opted to deindustrialize and favor the financing of debts, both public and foreign, which played a part in fueling warfare in Europe (e.g., the Anglo-French Hundred Years War, the Schism of the papacy (1378-1417), conflicts on the Iberian Peninsula, wars in northern Europe, and wars in the Italian region). Arrighi highlights that the Florentines operated along a capitalist logic:

> this logic dictated that capital should be invested in trade and production only as long as returns in these activities were not only positive, but higher than whatever rate justified the exposure of capital to the risks and troubles inseparable from its employment in trade and production, and secondly, compensated its owners for the returns that capital could have earned in financial deals. (Arrighi 1994, 100)

Some of the Florentine gambles failed, such as King Edward III default on a massive loan of 1,365,000 gold florins financed by Florentine firms Bardi and Peruzzi, and these failures paired in conjunction with the Black Plague (1348) added to increasing instability and volatility.

By the early 1400s, the Florentines had bounced back and were funneling their surplus capital into the conspicuous consumption of the Renaissance. The Medici family (of non-aristocratic origins), who had survived and benefited from the great financial crash of the 1340s, accumulated vast amounts of wealth and power by the time they took over the Florentine government in 1434. The House of Medici, as bankers to the pope and with branch banking all over Europe, had a firm grip on their financial empire. They helped fill the void left by the collapse of larger banking houses. As bankers to the pope, they also had their hands on greater inflows of money coming from legacies and donations resulting from the Black Death. The Medici even benefitted from the Great Schism as two competing seats for the pope complicated the papacy's finances.

In the 1470s, the head of the Medici family, Lorenzo de' Medici, was well known for his financial support of the arts. He kept profitability high by not re-investing in businesses that generated the profits, but rather invested them in cultural products that did not undermine the inter-capitalist competition in trade or finance and, at the same time, glorified his family name and the city of Florence (Arrighi 1994, 104-5).

By restraining the further expansion of trade and favoring finance capital, wealth and security can be preserved, at least for more powerful people and places like the Medici family in Florence. Braudel refers to the turn to financialization as a sign of autumn for the very reason that the 'reaping of the fruits' from the trade expansion can begin. In the Italian city-states, these fruits were the conspicuous consumption of cultural products associated with the High Renaissance – art, architecture, and education. Arrighi states that the "patronage of the arts [was] a more useful or even profitable form of utilization of surplus capital than its investment in trade" (1994, 95). High finance and conspicuous consumption were blended together by the powerful capitalist families, and this mix helped them create cultural products that aided in the creation of identities and allegiances (helpful for state-making and war-making) and these cultural products underpinned family prestige and status in a city where contenders always lurked in the background.

The Medici family had very good timing because their rise as the premier finance capitalists paralleled the rising demand for mobile capital in Europe's inter-state struggles. In fact, Arrighi remarks that once France and England's hostilities drew to a close, the fortunes of the "golden age of Florentine high finance in general, and of the Medici in particular, drew rapidly to a close" (1994, 107). However, the Medici (and other wealthy and powerful families in Florence, Milan and Venice) withdrew from business and enjoyed their aristocratic privileges, whether in further state-making (the Medici) or retirement to land ownership and collecting rents. Their wealth became less flexible and less mobile and, at the same time, the city-states came under intensified external threats (mostly from Spain and France). But because of their successful pursuit of wealth, they did not have to adapt to the changing business environment, and it is notable that the leading capitalist classes of Venice, Florence, and Milan played almost no significant role in the next phase of expansion – the 'Great Discoveries' that would continue to expand the capitalist system.

The exception is the Genoese merchant bankers who developed their knowledge, skills, and bank accounts in the East-West trade and the birth of Florentine high finance. They came of age in the dynamic and tumultuous times of the High Middle Ages, and they play a very significant role in the coming expansion of the European world-economy and the capitalist system. The Genoese merchant bankers will solve major overaccumulation crises and propel themselves into the position as the hegemonic purveyors of capitalism.

First Systemic Cycle of Accumulation – the Genoese / Iberian Complex

Scale and the Genoese Merchant Bankers

On the surface of Western history, the Genoese merchant bankers seem like an unlikely source for the expansion of the capitalism down the path to world-economic system. Arrighi and Braudel delve deep into the world of fourteenth and fifteenth century Eurasia, and they find that the Genoese exhibit a certain kind of tenacity, adaptability, and flexibility with their economic endeavors. The Genoese merchant bankers make a curious beginning for these systemic cycles. They consistently rely on stronger military powers, such as the Mongols and then the Spanish, whose ambition for colonial empire, power, and wealth creates windows of economic opportunity for the Genoese. They pair their reliance on imperial powers with financial innovations that propel them ahead of their European financial competitors and their northern Italian political or state-based rivals.

Genoa is small city-state that is both weaker than its northern Italian neighbors, such as the Florentines and Venetians, and lacks viable economic opportunities within the boundaries of Genoa. It is also a place where civil strife and power struggles are commonplace. The Genoese commercial empire in the East-West trade disintegrates when Mongol rule crumbles in Central Asia, and the Genoese capitalists are forced home where they struggle in a very constricted and competitive, both economically and politically, local environment. This scalar contraction forces them into financial restructuring, and over time the limits to their capital accumulation are circumvented by once again expanding their scale of accumulation under the auspices of a strong foreign empire. They leave Genoa and find economic opportunities in finance and trade on the Iberian Peninsula.

The Genoese also have excellent timing as their scalar expansion to Iberia coincides with not just regional economic developments but also Iberian imperialism in Europe and overseas. Their capabilities to bring mobile capital to the Iberian region as well as their technical abilities in the money trades, which were learned during the hard times back in Genoa, help secure the Genoese merchant bankers the exclusive role as bankers to Imperial Spain at the height of Spain's New World imperialism.

The Genoese merchant bankers reaped the benefits of Spain's imperial successes abroad and imperial ambitions in Europe. Spanish military might and constant warfare time and again underpinned Genoese merchant bankers' financial fortunes. They paired their capabilities to visit economic annihilation with Spain's tremendous military capabilities to conquer territory and people. The Genoese were the economic chain that linked Spain's successful capture of New World territory and wealth with Spain's imperial project in Europe. The Genoese coordinated an extensive financial empire in the shadow of Spain's territorial empire that stretched from fledging Santa Fe and Saint Augustine to booming Mexico and throughout silver-rich South America across the Caribbean and Atlantic Ocean to Antwerp, the Holy Roman Empire, and China.

This symbiotic relation between the Genoese bankers and the Spanish government expanded a particular kind of empire of coalescence and ownership in the sixteenth century that began many important scalar and social processes. Spain's social production of its imperial scale and associated social relations in the New World cannot be understated in their long term consequences. This empire began the rapid destruction of indigenous peoples in the Americas and laid down a new social, economic, and political hierarchy based on religious absolutes and racial prejudice. Spain's imperial success overseas began a European colonial race for territory in the New World that hastened the geographic takeover of the Americas. This empire also began the long term obedience and subservience of colonial territories in Latin America as well as Africa to the economic imperatives of Western capitalism and Western empires. As bankers to the empire, the Genoese enabled the Spanish to consistently push for more empire, more wealth, and more power.

The Genoese / Iberian empire also had the dual task of imperialism in Europe. Spain's attempts to dominate and own much of Western Europe fueled religious and territorial warfare for about one hundred years. Spain's imperial struggle in Europe failed by the mid-1600s, but Spain's struggles and eventual failure did not equate into a failure for the Genoese bankers. All the while Spain was exerting its military might and treasury to conquer European territory, the Genoese merchant bankers had succeeded in controlling the European economy by taking over high finance. The Genoese bankers constructed an economic empire of control in Europe that reaped immense profits in the context of Spain's persistent warfare. The Genoese merchant bankers eventually fade from European high finance in the next cycle, but for a time Genoese economics rule over Europe, structuring social, political, and economic interactions.

Imperial Foundations

The material expansion of Genoese capitalism was reliant on the Mongol Empire. The Genoese material expansion, the (MC phase) is partly comprised by the East-West trade made by possible by the Mongol Empire. Mongol empire-building re-made the geography and social relations of Eurasia. They opened the way for Genoese capitalists (and many others) to establish secure East-West trading relations that had been weak since the fall of the Roman Empire. Mongol imperialism was an important part of the foundation on which northern Italian capitalism was built. It aided the rise of Italian capitalist class, particularly the Venetians and the Genoese. When the Mongol's lost control (by the mid-to late 1300s) over their vast empire, the Genoese lost out on their lucrative positions in the extensive trade networks between East and West. The Genoese were hard hit by the disintegration of Mongol rule in Central Asia, because their home territory lacked viable domestic industries to substitute in their accumulation processes. Also, the Genoese capitalists, unlike their Venetian or Florentine counterparts, lacked political clout in their city.

Barriers to Accumulation & Resolutions

In the mid to late 1300s, the Genoese developed high finance capabilities under the same system wide conditions as their capitalist neighbors (e.g., warfare, instability, diminishing returns from Asian trades, and increasing competition in trades with other Europeans). Their position in Eurasian trade was crippled without Mongol imperialism, and Genoese commerce took a turn for the worse, driving them into massive restructurings.

Arrighi emphasizes that throughout the 1400s Genoese capitalism was in crisis. Genoese capitalists consistently faced barriers to accumulation. Persistent crisis forced Genoese capitalists to restructure their trade and finance networks, and over time, these adaptations proved fortuitous.

Genoa was a state that uneasily fused the capitalist merchant bankers with landed aristocrats. Early on commercially-minded aristocrats were the impetus behind long-distance trade, but as profitability diminished this group retrenched to the land and the acquisition and defense of rural spaces. The landed aristocracy took a much stronger role in state-making and war-making. The landed aristocracy was the major barrier to wealth and power for Genoese merchant bankers, forcing the merchant bankers to hold their surplus capital in liquid form. Unlike their Florentine counterparts, the Genoese merchant bankers did not successfully transition into the aristocracy and nor had they invested in enough war-making capabilities to further their interests with force. Genoa was in a state of persistent social and political turbulence due to these clashing interests between the landed aristocracy and merchant class.

A turning point in this struggle is the organization of money power. In 1407 a forerunner of a central bank, the *Casa di San Giorgi*, was established and control of Genoa's public finances now came under the control of the Genoese merchant bankers. The merchant bankers, using the means most familiar to them, were trying to overcome their local dependence; although even with the *Casa di San Giorgi*, they still were unable to wrest total power from the landed aristocracy.

In this unstable and limited world of Genoa, the merchant bankers favored more liquid investments in financing debts. They gravitated towards "market-making and of increasingly 'flexible' strategies and structures of accumulation" (1994, 110). The *Casa di San Giorgi* aided not only their bid for power in Genoa, it also gave them experience in the money trades, what Arrighi calls their "technical virtuosity" (1994, 113). The Genoese turned to finance capital during their MC phase, or phase of continuity, as a means to overcome barriers to capital accumulation in Genoa.

In 1447 the Genoese bankers passed a law instituting a monetary standard to profit from the variations in currency that circulated through their financial and trade networks. This law mandated "all business accounts relating to currency exchanges to be held in gold coin of fixed weight – a unit of account which soon became the *lira di buona moneta*" and this "'good money' became the standard unit of Genoese business accounts not just for currency exchanges but for all transactions, whereas 'current money' of variable value remained the standard means of exchange" (1994, 113). This law also ensured that the Genoese merchant bankers would not lose out to 'monetary illusions' in currency exchange. Braudel identifies the Genoese as the "true predecessors of Dutch and British finance capitalism" instead of the Florentines. Arrighi states that the Florentines invented high finance, but the Genoese invented modern finance capitalism (1994, 113). Genoese restructurings of monetary policies, as part of their bid to overcome their local dependence, began a period of stability in money.

The eventual resolution of the Genoese capitalists' crises lay in the Iberian region – it is the spatio-temporal fix for their capitalist crises. In the realm of high finance, the Genoese merchant bankers advantageously filled the void in the Iberian region after a financial crash in the 1380s. They established spaces of engagement comprised of networks of financial arrangements with the Iberians and thereby partially overcame their local dependence. In the realm of trade, the Genoese conquered the Castilian wool trade. They went to Córdoba, Cadiz, and Seville and cemented an alliance with Castile, creating a Genoese foothold in the expanding Iberian commercial system. The Iberian region fulfilled the needs of the Genoese merchants, who had "huge reserves of money, information, business know-how, and connections," but no secure outlet for trade (1994, 118). From the early 1400s to the 1450s, the Genoese set shop in Granada, a very prosperous agro-industrial center, and exerted their money and skills in the African gold trade and in the affairs of Portugal and Spain's territorialist rulers. The Genoese transition to Iberia comprised the latter part of the MC phase or phase of continuity for Genoese material expansion.

The Genoese capitalists were successful in their pursuit of profit, but their success depended heavily on Iberian territorialism, especially Portuguese and Spanish war-making capabilities. The Iberians needed the Genoese capitalists. They needed their money and financial skills. As the first systemic cycle of accumulation, the Genoese and Iberians make up an alliance of the capitalist logic of power and the territorialist logic of power. Iberian territorialism opened up economic opportunities for the Genoese capitalists, and their financial successes reinforced the imperialistic rulers' state-and war-making capabilities.

This mutually beneficial relationship endured because of consistent success on each side – the territorialist rulers consistently offered the Genoese capitalists more spaces for capital accumulation, first in the Mediterranean region, Africa, Asia, and then a whole 'New World.' The Portuguese established a successful eastern sea route to the Indies and both the Portuguese and Spanish gained New World lands, treasures, and valuable trade monopolies (e.g., silver and the slave trade). Spanish expansionism in Europe and abroad in the 1500s and 1600s fueled religious / territorial wars, requiring greater amounts of monetary resources and ever-sophisticated innovations in state-making and war-making.

Around the mid-1500s, the Genoese began a system of contracts with the Spanish government – the *asientos*. These contracts gave the Genoese almost monopoly control over Spain's incoming American silver in exchange for gold or other currency. By the mid-1500s, silver mining was Spain's most lucrative colonial activity. The silver entered Genoese capital circuits at Seville and the exchanges were made in Spanish-controlled Antwerp (see Figure 5.1). These contracts allowed the Genoese capitalists to crowd others (like the Germans and

Florentines) out of European high finance. The Genoese capitalists played an indirect role in Spain's destruction of New World civilizations and their dispossession of resources, wealth, and labor from the New World's places and peoples (including imported slaves), and they profited handsomely from Spanish imperialism. The latter part of their material expansion was heavily reliant on Spanish imperialism and associated trade flows, such as silver and slaves.

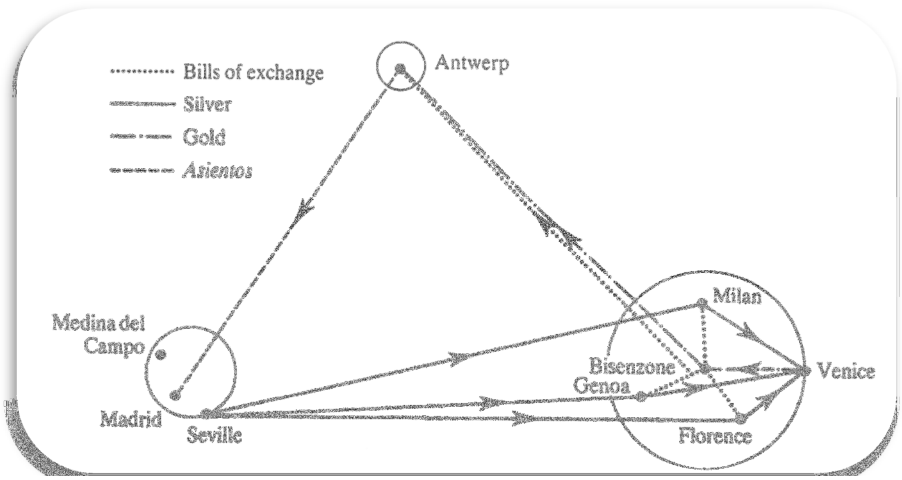

Figure 5.1: GENOESE SPACE-OF-FLOWS (Source: Arrighi 1994, 362)

The Genoese & Finance Capitalism

The clique of Genoese bankers in Europe, the *nobili vecchi*, prospered because of their withdrawal from trade by the mid-1500s and switch to high finance vis-à-vis as bankers to the Imperial Spanish government. This marks the Genoese transition to CM' phase (phase of discontinuity). They withdrew from trade while profits were still high. They gambled that liquid investments and the Spanish government would be a more profitable outlet for their accumulated surpluses as compared to expanding trade. This clique of Genoese bankers ruled European high finance for the next seventy years. Their overabundance of capital was always in need by expansionist Imperial Catholic Spain controlling the indigenous peoples of the Americas and fighting the conflagration of renegade aristocrats and Protestantism in Europe.

In the 1500s, Genoese capitalists linked northern Italian savers with the spendthrift government of Spain through a system of fairs of exchange, called Bisenzone fairs. When the Spanish faltered, it was felt in the northern Italian city-states (for example the crises of 1575, 1596, 1607, 1627, and 1647). The Genoese cleverly shifted devaluations and burdens of crises onto clients and competitors. Arrighi emphasizes that the Genoese conversion capabilities via their fairs of exchange, for example hard currency to bills of exchange, were necessary for the imperialist rulers of Spain at home in Europe and overseas. These Bisenzone Fairs represent a series of scalar fixes that kept value flowing through particular territories and certain sets of social relations, while causing detrimental consequences in others.

By the latter part of the sixteenth century, the Genoese merchant elite's systems of Bisenzone fairs, fairs initially held in Besançon, became mobile and were held in various cities, dominating European finance. Arrighi emphasizes that "none of these places … in itself defined the Genoese system of accumulation" (1994, 82). The Genoese diaspora of capitalists controlled networks of commercial and financial flows through the system of fairs, and while these fairs were embedded in cities, the Genoese system of accumulation "was defined by the flows of precious metals, bills of exchange, contracts with the Imperial government of Spain, and monetary surpluses which linked these places to one another" (1994, 83). These fairs eventually settled at Piancenza (in the Duchy of Parma) in 1579, and the Genoese continued to profit handsomely from Spain's attempts to put down rebellion in the Netherlands.

Ironically, what was the Genoese most profitable line of business – exchanges of silver for 'good money' at Antwerp as part of Spain's war efforts in the Netherlands – was their undoing as the Dutch succeeded in draining Spain's wealth and power in Europe. During this time, Spain failed to develop its own domestic economy, and its constant war footing paired with its reliance on colonial wealth and Genoese financing eventually lead to widespread inflation and economic collapse.

The Genoese held no monopoly on non-territorial financial networks. The Florentines, Lucchese, German, and English also had created diaspora merchant classes and commodity and money exchanges (fairs). However, the Genoese-Iberian alliance was more successful and drove out other groups. The Genoese merchant bankers' control over capital and credit "call[ed] the tune of European payments and transactions" (Braudel quoted in Arrighi 1994, 83). Genoese capital acted as an "invisible hand" on flows linking Seville, Antwerp, and Bisenzone (then Piancenza). A small group of Genoese bankers-financiers turned Spain's imperial pursuits, inter-state struggles, and other territories' industries to their own profit. They were an "almost invisible focus" of the European world-economy (Braudel quoted in Arrighi 1994, 83).[38]

Genoese Expansion of the Capitalist System

In the 1600s the diaspora of Genoese bankers-financiers created the "prototype of all subsequent non-territorial systems of capital accumulation on a world scale" (1994, 83). Genoa was a capitalist city, which hurt its ability to compete territorially and protect itself from enemies, such as the much stronger Venetian Republic. Capitalism as a system of accumulation and rule developed successfully in political spaces, such as Venice and Genoa, however, the

[38] David Graeber goes much further in his discussion of the far reaching impact of the Genoese / Iberian regime on Europe's Price Revolution and on China's monetary problems, i.e., the funneling of vast amounts of New World silver into the Chinese economy rather than into the European economy (Graeber 2011).

Genoese merchant elite and capitalism as a world system of accumulation 'triumphed' in their aspatiality, fluidity, and 'externalization of protection costs.' Genoese capitalism triumphed because they were mobile across the spaces and resources, overseas and in Europe, opened up for them by the imperialist Spanish army. By constructing non-territorial business networks and expanding them globally vis-à-vis Spain, the Genoese merchant elite dominated their competition.

The Genoese are identified by Braudel as the first systemic cycle in accumulation because, unlike the Florentines or Venetians, the Genoese capitalists expanded the structure of capitalist accumulation. Arrighi describes the Genoese cycle:

> In this pattern, a major material expansion of the European world-economy, through the establishment of new trade routes and the incorporation of new areas of commercial exploitation, was followed by a financial expansion that tightened the dominance of capital over the enlarged world-economy. Moreover, a clearly identifiable capitalist class (the Genoese) encouraged, monitored, and benefited from both expansions in virtue of a structure of capital accumulation which for the most part had already come into existence when the material expansion began. (Arrighi 1994, 126)

Success and expansion of Genoese capitalism, and capitalism in general, relied on Spanish imperialism and its war-making capacities. To be sure, Genoese capitalists' technical virtuosity in the money trades and the enlarged scales of their financial networks exacerbated struggles in Europe and is internally related to the expanding scale of Dutch capital accumulation. As Spain's position in Europe deteriorated, the status of the Genoese capitalists in high finance gradually disintegrated. They ended the system of Piacenza fairs by the late 1620s. Warfare in Europe and in the northern Italian region continued, but amidst this instability many of the Genoese capitalist families still retained their wealth, which would later be mobilized for Italian unification in the 1800s.

Genoese Scalar Imperialism

The production of scale is the outcome of social processes, and the Genoese merchant bankers, while skillful and innovative in their own right, rely on powerful empires to lay down scales and hierarchies of social organization beneficial to Genoese capital accumulation. What the Genoese merchant bankers lack in political and military power, they make up for with business acumen. In the case of the Genoese merchant bankers, the relation between capitalism (the Genoese merchant bankers) and imperialism and the state (the Mongol and Spanish empires) is broadly beneficial for the Genoese bankers.

The initial material expansion of the Genoese merchant bankers rested on Mongol imperialism and protection in Central Asia. Mongol imperialism opened up vast scales of capital accumulation for the Genoese merchant bankers in the East-West trade, but by the middle of the fourteenth century Mongol rule was collapsing and the Genoese merchant bankers were losing their profitable circuits of commodity exchange. At home in Genoa, and in the northern Italian region in general, they faced almost insurmountable barriers to capital accumulation. Their fixity in Genoa anchored them in scales of social organization that put them in constant struggle with the landed aristocracy for power.

The Genoese merchant banking families made fortunes and developed in-depth commercial knowledge in the East-West trade, but stuck in Genoa they lack lucrative trade activities. These families do not have enough political and military power to seize control of the city government outright. They also have to make their economic way in a period of severe competition in trade and financialization. They are caught in a scalar production of limiting social relations that subordinate their money power and limit their capital accumulation capabilities.

The Genoese merchant bankers overcome their local dependence incrementally, first through monetary reforms and then through spaces of engagement with Iberians in need of finance capital. The Genoese eventually triumphed over the limits to their capitalism by expanding the scale of their capital accumulation and establishing a foothold in southern Iberia's trade expansion. This foothold in trade coupled with their earlier financial forays on the Iberian Peninsula was the spatio-temporal fix that saved Genoese capitalism. Genoese capitalists had to become mobile and jump to a more profitable place to overcome their economic and political crisis. In the mid-1500s, the Genoese capitalist diaspora became the bankers of Spain, and, in effect, used their fairs of currency exchange as scalar fixes to monopolize the financial transactions of Europe. This system was contingent on Spain's imperialism in the New World, its vast silver mines, Spain's imperial ambitions in Europe, as well as Spain's integration in the larger global (Eurasian) economy.

There is a multiplicity of aspects in the Genoese scalar imperialism process. A fundamental aspect was their reliance on imperialism, both Mongol imperialism and then (and more significantly) Iberian imperialism, to create the necessary conditions for Genoese capital accumulation to move easily and freely across space, scale, and social relations. The aspect of aspatiality played an important role in the success of the *nobili vecchi* as the bankers of Europe. This process was also contingent on the historical developments that forced Genoese merchant bankers to develop their technical virtuosity in the money trades.

The production of scale is a politicized and contested process, and the Genoese capitalists adapted both their economic structures and socio-political relationships to consistently circumvent barriers to their capital accumulation. Their tenacity, adaptability, and flexibility paid off as value continued to flow through Genoese banking families' firms by their relocation to the Iberian Peninsula and their financial alliance with Imperial Spain. Genoese dominance in European high finance decreases as Spain's European imperial project falls apart. Despite the fact that Spanish imperialism was highly beneficial to Genoese capitalism and the spread of the capitalist system, Spanish imperialism was highly detrimental to Spanish hegemony in Europe, and Spain's wars for European territory are internally related to the rise and expansion of Dutch hegemony and capitalism.

Second Systemic Cycle of Accumulation – the Dutch

Scale and the Dutch Capitalist Oligarchy

The social production of scale is a contentious and conflict-ridden process. The Dutch capitalist oligarchy knows this very well from their experiences fighting Spain over territory for about eighty years. The Dutch capitalists and their allies are, at least temporarily, successful in their struggles to produce new geographic scales, in this case their own country and colonial empire, and a new social order that enables Dutch capitalism to thrive. An important aspect of Dutch scalar imperialism is its early origins in the chaos of Spain's imperial wars in Europe from the mid-1500s to the mid-1600s. The making of the United Provinces expresses the Dutch capitalists' desires to restructure how the regional European economy and wider world–economic system works and who it works for.

The Dutch are innovative and masterful at re-structuring Europe's economic structures to orient towards the United Provinces and their city Amsterdam. They deploy accumulation by dispossession, such as piracy against the Spanish and Portuguese, as well as accumulation by expanded reproduction in European commerce, e.g., the Baltic trade. They are also innovative and masterful at inter-state relations, achieving a short-lived position as Europe's hegemon along with influencing European economic and political affairs. The financial innovations of the Dutch, such as the Amsterdam stock exchange and their version of a central bank, help to pull mobile capital to the United Provinces. These flows are reinforced and deepened by Dutch imperialism. They are first class imperialists, and the Dutch create a profitable commercial empire of ownership and control vis-à-vis joint stock chartered companies stretching from the Indian Ocean to the Atlantic Ocean. All of these aspects of Dutch scalar imperialism fix Dutch capitalists' place in European social, economic and political affairs. Their supremacy is expressed in the production of Amsterdam as the economic heart of Europe.

Their success as a territorially small but financially and politically powerful nation in Europe with a lucrative overseas trade empire becomes a desirable model for attaining power and wealth. The downside to success is that the United Provinces and their commercial empire come under threat by their European rivals. Rising European mercantilism and nationalism engage the Dutch in persistent military conflicts as well as deprive Dutch capitalists of foreign sources of much-needed labor power and natural resources. As the United Provinces has to defend against foreign military encroachments at home and abroad, Dutch capitalists struggle to compete in trade with their European counterparts.

Inevitably, Dutch businessmen move from their position as the ‘middle persons’ of commercial trade to the ‘middle persons’ of money trade. In a contradictory but not surprising manner, Dutch capital along with the Amsterdam stock exchange undermines the viability of the United Provinces. Dutch moneylenders help feed the fire of warfare and socio-political struggles, culminating in the French Revolution and the rise of Napoleon Bonaparte. In the course of conflicts in the early nineteenth century, the United Provinces ceases to exist as an independent nation, both materially and discursively. The eighteenth and early nineteenth century European power struggle, occurring in Europe and abroad, were about making territorial projects and the Dutch were a little too capitalist and were consumed by their more territorialist neighbors.

Imperial Foundations

Martin Luther’s Protestant Reformation and Spain’s desires for European domination created an unstable world of wars, peasant revolts, rural and urban unrest, and escalating costs of war (which escalated peasant rebellions). The economies of Europe rife with inflation were stunted by these persistent conflicts and social unrest, and European rulers (minus the Spanish) sought to end these crises and maintain their power. These decisions were brokered at the Hague by the Dutch. Sovereign rulers realized their need to cooperate with one another in order to regain dominance over their subjects.

The Dutch capitalist oligarchy was able to join their capitalist interests – of not allowing warfare and social unrest to undermine their wealth and power – with their desire and the desires of Europe’s dynastic rulers to rid Europe of above-state authorities, such as the papacy, and weakening Spain. By the end of almost one hundred years of warfare, the medieval system was in ruins (as was Spain) and the Treaty of Westphalia (1648) ushered in a modern system of rule and a new capitalist state – the United Provinces.

The emergence of a modern system under rising Dutch economic and political power is "closely associated with the development of capitalism as a system of accumulation on a world scale" (Arrighi 1994, 32). What Marx would have considered superstructure, the legal and political frameworks as well as national cultures, are part of the modern system of rule. This new European system hinged on international law and the balance of power between states. The 'freedom of commerce' was also a desired objective, because trade barriers had been established during the Thirty Years War. The Dutch capitalist oligarchy was on its way to making a capitalist world economy a historical social system.

The United Provinces were carved from Imperial Spain during eighty years of war. The Dutch were building a whole new scalar fix for their political, economic, and social aspirations as a small but powerful independent nation. This social production of spatial scale – the United Provinces – took time and money. Dutch capitalists allied with the House of Orange (their state- and war-making capabilities) and popular support for Calvinism (the ideological basis), and altogether created a new political space and restructured social and economic relations. Capitalism and territorialism shared the government of the United Provinces. Commenting on the new Dutch territory, a Venetian Ambassador to London in 1651 related that "merchants and trade were making great strides, as government and trade are ruled by the same persons" (Arrighi 1994, 198).

The Dutch material expansion is internally related to the Genoese / Iberian phase of discontinuity. A portion of Dutch wealth and power was built on commercial and financial networks appropriated by the Dutch capitalist oligarchy from other European commercial and colonial empires, notably through piracy and privateering against Spain which was considered a national duty. The Dutch were master shipbuilders and had strong naval capabilities, and Spain's treasure ships sailing from the Caribbean were constant targets as well as Iberian colonies.[39] These acts of dispossession were recycled into the Dutch material expansion, i.e. the MC phase (phase of continuity).

A more stable and less dangerous foundation for Dutch commercial expansion was their control over the surpluses generated in the Baltic trade (grains and naval stores). Arrighi highlights that the more the Dutch withstood Spain's domination and drew other nations into the struggle, the more the Dutch capitalists prospered from the Baltic trade as these goods were in greater demand. The Baltic trade was a source of Dutch capitalism. Spain's imperial wars in Europe fueled the Baltic trade and thus the material expansion of the Dutch, highlighting the overlap between the Genoese / Iberian phase of discontinuity (identified by the Genoese turn to financialization and Spain's escalation of inter-state struggles in the mid-1500s) and the rising fortunes of the Dutch in their phase of continuity.

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[39] For instance, in 1628 Admiral Heyn and a fleet of thirty-one ships seized a Spanish treasure fleet outside of Havana, and they captured 200,000 pounds of silver, 135 pounds of gold, as well as sugar, pearls, spices, hides and other merchandise. They had stolen goods and metals totaling 15 million guilders. They attacked Spanish colonies, such as sacking San Juan, Puerto Rico in 1625, and they also attacked and seized valuable Portuguese trade and colonies in the New World and East Indies.

Dutch Commercial Supremacy

The Dutch fused capitalism and territorialism in a government-business complex and led an expansion of European commercial activities unlike any of their Italian capitalist predecessors. The Dutch duplicate what made the Venetians a successful state, that is, their self-sufficiency in state-and war-making. They duplicate what made the Genoese diaspora business class successful, that is, their aspatial political and economic networks and relations with other governments. The Dutch will achieve a relatively harmonious synthesis of the territorialist and capitalist logics of power.

By the early 1700s, the Dutch have earned a reputation as the "Middle Persons in Trade, the Factors and Brokers of Europe … they *buy* to *sell* again, *take* in to *send* out" (Daniel Defoe, Original Emphasis quoted in Arrighi 1994, 136). They were the middle persons in the Baltic trade, and as they expanded the European-world economy, the Dutch became the middle persons of global commerce (1994, 136).

Dutch wealth and power rested on three inter-related policies. First, they made Amsterdam and its warehouses Europe's entrepôt. Dutch primacy in finance aided this policy in funneling the region and then the world's commodities to Amsterdam. The second policy involved establishing the first stock exchange in permanent session in Amsterdam. Part of establishing the primacy of the Amsterdam Bourse over other stock exchanges was the Wisselbank (established in 1609), another precursor to a central bank. Arrighi describes how these two polices work hand-in-hand:

> The superior command over liquidity on which the commercial supremacy of Dutch entrepôt capitalism rested was thus consolidated and raised well above what would be in the power of any rival group to challenge for a long time to come. The centralization in Amsterdam of transactions and speculation in commodities, in turn, expanded the city's effective demand for money and, therefore, the power of its Bourse and of its banking institutions to attract money capital, whether idle or not, from all over Europe. (Arrighi 1994, 138)

This 'virtuous cycle of expansion' was predicated on the third policy of the Dutch commercial system. The Dutch relied on commercial expansion overseas vis-à-vis large joint-stock chartered companies, who were granted monopolistic rights over foreign spaces and represented strong naval power. These kind of trading companies were already in use by England (established by Queen Elizabeth I) and they are also reminiscent of the Genoese *maone*.

Joint-stock chartered companies combined territorial elements of state-and war-making (for the United Provinces) with the elements of businesses, that is, making profits and dividends. The most successful was the Dutch VOC (Verenigde Oost-Indische Compagnie) and it was chartered in 1602. The VOC monopolized the Indian Ocean trade while the Dutch West India Company (WIC) monopolized the Atlantic Ocean trade, although less successfully. Arrighi affirms that these companies "were both beneficiaries and instruments of the on-going centralization in Amsterdam of world-embracing commerce and high finance" (1994, 139).

Dutch commercial and financial innovations created more continuity in business enterprise, and these enterprises were endowed with a national purpose. In fact, when the United Provinces gained independence in 1648, companies like the WIC had a more difficult time because a large part of their activities had been geared towards undermining Spain. While the Dutch were imperialistic overseas, their dominance was predicated on control of money capital and international credit as well as on the long-distance trading paths already opened up by the Iberians.

In the Indian Ocean trade, the VOC used force and money power to block other Europeans and control their local Asian rivals. 'Parastatal' companies like the VOC carried out abroad the same balance of capitalism and territorialism practiced by the Dutch capitalist elite at home. While the Dutch (the VOC) were very successful in the East Indies, they did overextend themselves territorially, which was an exception and not the rule of Dutch colonialism. The territorialism and profits of the VOC in the East Indies attracted the attention of European governments who sought to imitate the VOC's success. Another adverse outcome from the success of the VOC was its increasingly bureaucratic structure that ate more of the surpluses the company generated (rather than dividend payments to investors). On the Amsterdam stock exchange, investors came to prefer companies that paid greater dividends, and those that attracted investment and speculation tended to be foreign and mostly English rather than Dutch.

Dutch Hegemony

Arrighi describes Dutch hegemony as "a highly ephemeral formation which as unmade as soon as it was made" (1994, 47). The Settlement of Westphalia was agreed upon in 1648 and not four years later in 1652 the Anglo-Dutch Wars begin, in which the English (and the French) try to take over Dutch territory and its commercial system. The English and the French fight for supremacy from the mid-1600s until the vanquishing of Napoleon in 1815. Their competition for world supremacy dominated European inter-state relations. While these competitors failed to take over the Dutch in the 1700s, they combined settler colonialism, capitalist slavery, and economic nationalism in a very successful synthesis of capitalism and territorialism, which history calls mercantilism of the 1700s. This three-pronged approach to empire, certainly settler colonialism, transformed the political geography of world commerce (Arrighi 1994, 49).

Dutch Financialization

The Dutch phase of discontinuity (the CM' phase) is ushered in by the adoption and intensification of mercantilist approaches by European rulers seeking to emulate the wealth and power of the Dutch but, at the same time, eliminate trade dependence on their rivals. The Dutch capitalists, their cosmopolitan city Amsterdam, and their overseas trading companies showed by example that rulers did not necessarily need to follow a strictly territorialist mode of rule to attain wealth and power. Arrighi remarks that the "more the Dutch succeeded in their endless accumulation of capital, and the more this accumulation was turned into ever-growing capabilities to shape and manipulate the European political system, the more the European rulers were drawn into the Dutch path of development" (1994, 141). An adverse affect of Dutch success, especially the VOC's successful empire-building in the Indian Ocean, was the increasing attractiveness of foreign overseas trading companies on the Amsterdam stock exchange. These companies were attractive investments for Dutch surplus capital and for European surplus capital in general. Ironically, the competitive pressures wrought by European forms of mercantilism will drive the Dutch out of trade and into financing their rivals.

The twist the other European rulers, especially powerful rivals such as the English and French, put on the Dutch capitalist path of development was to make economy-making a national priority. Countries that adopted mercantilist approaches favored domestic industrial production. The English intensified their imperialism abroad, integrating colonial resources with their domestic manufacturing; and the French intensified development of their domestic economy. Both sought to alleviate themselves from Dutch supremacy in commerce and foreign dependence overall. The landed aristocracy's seizure of the British government with the Glorious Revolution in 1688 (which brought William of Orange and Mary Stuart to the throne) and the absolutist regime of French King Louis XIV (1661-1715) created a unilateral, in each country's case, drive for national economic development.

English and French mercantilisms were successful models, and other governments in Europe also adopted mercantilist approaches. As Prussia, Russia, Sweden, and Denmark-Norway also adopted mercantilist approaches favoring domestic industrial development, the Dutch's mother trade – the Baltic trade – declined precipitously. A major weakness in Dutch commercial supremacy – it was too reliant on foreign entrepreneurship and labor – became readily apparent as other states began to monopolize their own entrepreneurship and labor under mercantilist agendas. By 1740 the mercantilist approaches and warfare of its former economic subordinates coercively shrunk the scale of Dutch trade, and this drove the Dutch capitalists out of trade and into high finance.

Escalating Inter-state Conflict

Mercantilism in Europe not only brought the heyday of Dutch commercial supremacy to an end, it was an integral component in escalating inter-state struggles dominated by territorialist governance strategies. Arrighi highlights how this period of discontinuity differs from the previous cycle. In the previous cycle, the capitalist struggles and the territorialist struggles had been separated, for example territorialist Spain's struggles with other states and Genoese struggles with other European capitalists classes.

In this phase of discontinuity, "the two kinds of struggles completely fused into conflicts between nation-states that were capitalist and territorialist at the same time" (1994, 142). Arrighi offers the examples of the mid-1700s trade wars – the War of the Austrian Succession (1740-1748) and the Seven Years War (1756-1763) – in which the English vanquish their French competition.[40] Arrighi relates that Dutch financing on the English side perhaps tipped the balance in favor of Britain in the Seven Years War. As more territorialist regimes followed in the Dutch capitalist path, especially the English, capitalism and imperialism would share an even closer relationship in the expansion of capitalism.

While the Dutch capitalists, through their own developmental path fused capitalism and territorialism very successfully, their success is internally related to their failure to compete in this new environment dominated by territorialism. When Dutch capitalism was deprived of foreign labor, foreign resources, and had previously shied away from large scale colonial settlements, the Dutch were unable to bolster their failing commercial capabilities because of their narrower geographic and demographic base of operations. Nonetheless, the Dutch capitalist class was well positioned, with their own technical virtuosity in the money trades, to capitalize on other governments' needs for money and credit for war expenditures.[41]

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[40] It should be noted that both the War of the Austrian Succession and the Seven Years War was ignited by Prussian aggression in Europe, but both wars and their combatant nations seized these opportunities to further their own national interests in Europe and in overseas colonies, most notably the British and French conflicts in North America and India during the Seven Years War.

[41] Interestingly, Arrighi notes that Dutch capital was finding its way into English stocks and English government debt by the early 1700s. By 1758 Dutch capitalists held one-third of the Bank of England, the English East India

In the 1760s, Braudel notes that "all the states of Europe were queuing up in the offices of the Dutch money-lenders" (Braudel quoted in Arrighi 1994, 143). Arrighi emphasizes that "Once again, *and on a grander scale*, one capitalist class had successfully promoted and financed, monitored and profited from, and, in the fullness of time, withdrawn from, a commercial expansion that encompassed a multiplicity of power and trade networks" (Original Emphasis 1994, 144). The Dutch elevated capitalism to a world system, and "territorialism could succeed only by 'internalizing' capitalist techniques of power" (1994, 144).

While Dutch commercial superiority was initially a cause for escalating inter-state conflict and their capitalist class benefitted from it for about fifty years, these conflicts laid the seedbeds for more conflicts. The dissatisfactory resolution of the Seven Years War between the British North American colonists and the British government caused the uprising and rebellion that turned into the American War for Independence (1775-1781). Dutch privateering in North America and their involvement on the side of the American patriots and the French in the American Revolution brought on the ruinous Anglo-Dutch War (1781-1784), in which the British demolished the remainder of Dutch seaborne trade and pushed the Dutch out of their former Indian Ocean strongholds. A main pivot point for Dutch supremacy is taken from their control.

France's financial and military support of the American patriots in retaliation against the British caused an already fiscal crisis at home to worsen, precipitating the French Revolution (1789) and the end of France's ancien régime. The French Revolution allowed for Napoleon Bonaparte's rise to power (with the Directory in 1799 and emperor by 1804), and his Grand

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Company, and South Sea stock. By 1762 Dutch capital accounted for one-fourth of England's national debt (Arrighi 1994, 206).

Armée erased the United Provinces off the European map. From the 1740s to the end of the Napoleonic Wars in 1815, London eventually superseded Amsterdam, and the British Empire became the engine of the capitalist world-economy. Although the Dutch monopoly in high finance faded through the late 1700s, Dutch capital persisted and Amsterdam continues until the present day as a 'high altar' of capitalism.

Dutch Scalar Imperialism

Dutch scalar imperialism is a process truly characterized by the making, re-making, and unfortunate un-making of new forms of social, political, and economic organization. There are many aspects to this process, such as transformations in geography through conflict and struggle, economic restructuring, the making of a commercial empire, the interplay between capitalist and territorialist strategies in the Dutch government and rival governments, the conquering of a colonial empire, domination of European high finance, and inter-state alliances that sour into wide-spread competition and conflict.

In such a short time period, a new 'nation,' the United Provinces, and a cosmopolitan city, Amsterdam, dominate Europe's commercial and financial transactions. Through state-and war-making, the Dutch made their own scalar fix, they set their own scalar frame, and then went on to enlarge it through highly mobile and aspatial business networks and joint-stock chartered companies' imperialism with colonies abroad. This process was hastened by the 'internalization of protection costs' – the Dutch joint-stock chartered companies' militaristic stance and at the same time protected Amsterdam's entrepôt status. The rapid dominance of Amsterdam as entrepôt and its stock exchange paired with the rapid development, deployment, and success of joint-stock chartered companies sustained the virtuous cycle of accumulation that made the Dutch the envy and target of its European neighbors.

The expanding scale of Dutch capitalism in their phase of material expansion (their MC phase) relied on three forms of imperialism. First, their early surpluses gained vis-à-vis dispossessing other European empires, mainly the Spanish, boosted their commercial capabilities. They were very successful stealing colonial wealth from Spain. They were also successful in appropriating trade routes and colonies from the Spanish and Portuguese. Second, they gained wealth vis-à-vis the Baltic trade, which had increased due to Spanish imperialism, associated warfare (with the Dutch), and need for goods in Europe. Third, Dutch imperialism abroad through coercive, parastatal joint-stock chartered companies, which helped make Amsterdam the entrepôt of world commerce, intensified and reinforced Dutch commercial superiority. Dutch dominance in finance capital, the restructuring the Amsterdam Bourse, and establishment of the Wisselbank were important parts of the Dutch virtuous cycle of capital accumulation.

Dutch capital accumulation hinged on the Amsterdam's role as Europe's entrepôt, but without imperialistic processes at work during the Dutch expansion, the Dutch capitalists and Amsterdam would not have generated the necessary capital surpluses in their non-imperially related enterprises to catapult themselves and their city to dominance in commercial activities and high finance.

While the Genoese capitalist diaspora in alliance with Spain expanded the capitalist system and the European world-economy, the Dutch, who succeeded them in these activities, seem to return to tactics reminiscent of the Venetian Republic. Arrighi highlights that these cycles of accumulation utilized “two opposite elementary forms of capitalist organization” – a form of ‘cosmopolitan finance capitalism’ and a form of ‘state monopoly capitalism’ (1994, 149). He stresses that the “ever-changing combination and opposition of these two organizational forms and, above all, their ever-increasing scale and complexity associated with the ‘internalization’ of one social function after another, constitute the central aspect of the evolution of historical capitalism as a world system” (1994, 149). Capitalism, as a world system, depends upon the dialectical relations between capitalism and territorialism, embedded in particular spaces and times, to reproduce the conditions necessary for further expansion.

The Genoese / Iberians ‘discovered’ and conquered more space for capitalism as a world-system, and the Genoese profited from these imperial activities as well as from Iberian imperial ambitions in Europe. The material expansion of the Dutch was based on surpluses generated in the Dutch wars with Spain and in the general European power struggle. The Dutch superseded the Genoese / Iberian regime and internalized protection costs, allowing them to dispossess the Iberians of some of their colonial territory, wealth, and trades, and weave these enlarged spaces into a Dutch-dominated capitalist world-economy.

Dutch control of the Baltic trade, the commercial and financial domination of Amsterdam, and the phenomenal successes of Dutch joint-stock chartered trading companies attracted the attention of their European rivals. The United Provinces form of overseas imperialism was adopted but altered by their rivals to have a more territorialist bent, and Britain put up the strongest limits and barriers to Dutch commercial capitalism. Dutch (and other European) bankers and financiers switched to investing and speculating in English companies on the Amsterdam stock exchange as well as financing governments' inter-state struggles. While Dutch speculators and investors made spectacular profits in the short run, their city and country was temporarily consumed by French imperialism, and the Dutch relied on British power for its re-emergence as the Kingdom of the Netherlands in 1815.

Third Systemic Cycle of Accumulation – Britain

Scale and the English

England and then Britain's long term imperial ambitions, both in Europe and overseas, come to fruition by the eighteenth and nineteenth centuries. Britain's hard-fought empire of territorial conquest and political-economic control coalesced into one of the largest empires in history. Britain's eighteenth century empire and military capabilities help pave Britain's path to hegemony, triumphing over Napoleon and the high tide of French imperialism, and achieving further imperial successes in the nineteenth century. The English blend of aggressive territorialist and capitalist logics of power enable the British to lay down highly inequitable scalar arrangements that emphasize Britain's superior position at the top of political, economic, social, and military hierarchy in Europe and around the world. The political and economic goals of the British state and British capitalists cast a long shadow over the world. British politics, culture, domestic economic imperatives, and responses to rivals and challengers dictate the

British imperial project, a project that strives to wring obedience and subservience from labor, natural resources, and mobile capital.

The main key to British scalar imperialism is the extensive empire of ownership and control as it articulated with British capital and industrialization. British imperialism and capitalism worked in mutually beneficial ways for a relatively long time and allowed Britain's government-business complex unprecedented power over making geographic scales, structuring socio-political relations, controlling the capitalist world-economy, and managing social reproduction at home and in colonial holdings.

Strong military and economic capabilities make possible a British Kingdom and Empire that establishes a very particular social order that is built on the backs of England's own working class, its colonial resources and populations, and the money power of a German-Jewish banking diaspora. Inevitably, this arrangement falls apart as Britain comes under greater economic competition and military struggles by the late 1800s and early 1900s. In a necessary but damaging move, Britain has to rely on the U.S. for help. Britain's empire, power, and wealth were made over a period stretching from the 1500s to the 1800s, but this empire, its power, and wealth were un-made in a relatively short period of time in the twentieth century.

Britain's Hegemony

The United Kingdom achieved hegemony by leading a coalition of mostly dynastic rulers and their armies against the upstart Napoleon Bonaparte, who "trampled on the absolute rights of government of European rulers both by fomenting revolt from below and by imposing imperial commands from above" (1994, 52). British hegemony was born in system wide upheaval (the Napoleonic Wars); just as Dutch hegemony had been born in the chaos created by Spain's bid for European (and global) empire. The restoration of the Westphalia system at Vienna in 1815 and Aix-la-Chapelle in 1818 begins a long century of British rule over the European inter-state system as well as extending around its colonial world.

Economic Nationalism

Arrighi identifies economic nationalism as a key ingredient in the making of Britain's hegemony. Economic nationalism has two main parts: (1) "endless accumulation of monetary surpluses in colonial and inter-state commerce" (mercantilism) and (2) national / domestic economy-making in the broad sense of "'state-making and national-economy-making at the same time'" (Gustav von Schmoller quoted in Arrighi 1994, 50). As the English internalized capitalism into their historically territorialist logic of power, it became highly competitive for Dutch capital by the early 1700s.[42] Throughout the 1700s Dutch capital backed English enterprise and English government debt, and these flows accelerated by the late 1700s.

The vitality of English enterprise in the 1700s rests on a few remarkable moments during its earlier history. The first moment was in the early 1500s under King Henry VIII, who re-structured the war-making capabilities of England in favor of naval power. The second major moment was the reign of Elizabeth I (1558-1603). She laid the foundation for stability and future power as well as British territorialism's synthesis with capitalism.

Elizabeth's privateers and joint-stock chartered companies dispossessed other imperialists of their colonial wealth as well as carried out imperial activities. Elizabeth's pirated

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[42] One very good reason that Dutch capitalists are investing in English stocks is that William of Orange (with wife Mary Stuart) occupied the English throne. Another good reason is that English stocks and government debt were sound investments for Dutch capital.

gains were recycled into English currency as well as repayment of foreign debt, leading to fiscal stability. Also, the notion of 'sound money,' of the pound sterling as a fixed currency, allowed for long term monetary stability and financial superiority. While her pound sterling was fixed to silver, later generations (under William II) converted to a gold standard.

Also, Elizabeth was influenced by Sir Thomas Gresham, who created the first bourse in London (the Royal Exchange) and advised Elizabeth to minimize her reliance on foreign merchant bankers. At the time, England was no match for Genoese / Spanish alliance and their Antwerp-centered high finance and trade networks, but Elizabeth and Gresham laid the foundation for the 'nationalism of high finance.'

England's future successes in industrial capitalism were built on earlier expansions, which all occur during other periods of financialization (i.e. periods of intensified competition and re-structuring). During the Genoese financialization under Elizabeth's reign, she redirected England's industrial capabilities to luxury and metal industries, bringing an end to too rapid growth. Arrighi observes that Elizabeth's industrial policies properly regulated England's increasing industrialism, because:

> For in a capitalist world-economy industrial expansion translates into an expansion of national wealth and power only if it is associated with a breakthrough in high value-added activities. Moreover, the breakthrough must be sufficient both to enable capital to accumulate faster in the industrializing than in competing states and to reproduce in the industrializing states social structure supportive of its self-expansion. (Arrighi 1994, 194-5)

Only by achieving commercial world supremacy in the later part of the 1700s, will all of Elizabeth's work enable Britain's blend of territorialism and capitalism to dominate its competitors. While England underwent a civil war and internal instability, the Dutch dominated global commerce. Once Great Britain pulled herself together, Dutch commercial supremacy and seaborne power was obliterated by the British, who extended their colonial reach around the world and fed their industrial capitalism machine.

British Imperialism

The British transformed the political geography of world commerce with settler colonialism, capitalist slavery, and economic nationalism, all of which was backed by the world's strongest and largest navy. Around the 1640s, England began a more aggressive colonial campaign that would temporarily fix England's center of attention toward empire abroad and long-distance trade rather than on industrial expansion at home. Arrighi remarks that the "main foundation of the power of this national bloc [English state and English capital] was imperial" (1994, 211). The success of the British mercantilist approach circa the 1700s was reliant on colonies abroad and backed by a strong navy. The English were gaining ground on Dutch commercial supremacy by the 1740s. London would become the entrepôt of the world's goods and money by the 1780s.

England's mother trade was the Atlantic trade pioneered by the Dutch. The 'Triangular Trade' of African slaves, North American / Caribbean primary products, and their own home-produced manufactured goods was to rising British capitalism what the Baltic trade was to rising Dutch capitalism. The Atlantic trade played a fundamental role in making England's ports mini-entrepôts of world trade, giving the English competitive advantages that went with entrepôt trade, such as industrial competitiveness and "control over the most strategic supplies of world commerce" (Arrighi 1994, 199).

By the late 1700s, the English have made successful inroads in the Indian Ocean trade. Their Asian trades, which intensified in the 1800s, proved to be valuable sources of raw materials, labor, and markets for investment and manufactured goods. India's market, labor, and resources were appropriated by the British, and South Asia was a "principal pillar of Britain's global power" (2005b, 100).[43]

After the British expelled the French from India in 1763, the British government gave monopoly rights of indirect rule over its India holdings to the British East India Company and allied elites. In 1813 the Indian market comes under British free trade policies. After the Great Mutiny (1857) the British government instituted direct rule of India along with reforms of the colonial government.[44] India was exploited as a very large spatio-temporal fix, which included a series of smaller-scale scalar fixes, for crises in Britain's domestic economy. By the mid-1800s, India absorbs excess output of Britain's highly productive industries at the expense of the development of India's industries, mainly textiles and iron. India was actively underdeveloped to make way for British manufactures.

India's vast human and natural resources was the 'jewel' in Britain's crown. While the Atlantic trade was the impetus for increasing British financial and commercial supremacy, India sustained Britain's global supremacy. Britain was reliant on India's markets and manpower. India's manpower, not just for production but also for military service, enabled Britain to have

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[43] Arrighi states that Britain's appropriation of colonial wealth from India allowed it to 'buy back' its national debt held by the Dutch before the Napoleonic Wars, which, of course, allowed Britain to go on a public spending spree at home.

[44] British rulers' devaluated Indian currency, instituted extractive Home Charges, and established English control (via the Bank of England) over India's foreign currency exchange resources.

an unrivaled source of manpower. Arrighi relays the saying that Britain's Indian Army was the "iron fist in the velvet glove of Victorian expansionism." This army was the "major coercive force behind the internationalization of industrial capitalism – coercively opening up new space, new markets for Britain" (1994, 263-4).

India's opium production and Britain's coercive informal imperialism in China (begun in the early 1800s) imposed a highly successful narco-military complex that generated vast capital surpluses in the opium trade. By 1914 India was Britain's largest export market, and one-tenth of all British trade passed through India's ports. Surplus capital generated in India (and Asian trade altogether) was recycled back to Britain. An important link between Britain's Asian empire and it homeland was the Suez Canal, which was opened in 1869 and under British control by 1875. Railways, steamships, and the Suez Canal funneled India's cheap food and raw materials back to Britain. Britain will also seize Egypt in 1882 after an attempted military coup. By the late 1800s, British imperialists are making strong in-roads in Africa south of the Sahara in their quest for investment opportunities, valuable natural resources, and markets. However, this increased imperialism in the late 1800s and early 1900s is directly related to escalating inter-capitalist and inter-state competition during Britain's CM' phase.

From the 1700s to the early 1900s, Britain conquered and shaped a truly global colonial empire unlike anything in human history. What makes Britain's territorialism exceptional is the way in which the empire is integrated, economically speaking, with the homeland. Through trade liberalization, at home and abroad, British war-making capabilities and its various forms of imperialism work in a symbiotic relationship with capitalist logic of power at home, in its domestic policies, practices, and innovations that history designates as industrialization. A major part of national economy-making was making warfare pay for itself, and this process included Britain's civilian population as an indirect supporting base vis-à-vis transforming a heavily agrarian population into an urban working class.

Industrial Revolution

Britain's economic nationalism is tied to their industrialism. Domestic manufacturing and industrialization had been growing through the late 1600s and early 1700s, but by 1750 England was adopting innovations that allowed them to jump far ahead of their European competitors. The First Industrial Revolution originates in England around the 1750s, and there are some early necessary foundations for its industrialism, such as the Enclosure Movement, mechanization of agriculture, rural to urban migration, urbanization.[45]

These early foundations helped create a pool or 'reserve army' of surplus labor, which came to constitute a wholly new kind of class of people in society – the working class. The Enclosure Acts were a series of compounding scalar fixes aided by increasing technological innovations (mainly mechanization), and these two processes sped up the melding of industrialism, capitalism, and urbanization.[46]

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[45]Parliament passed more than nine hundred acts of enclosure from 1710 to 1810. The Enclosure Movement dispossessed ordinary peoples' rights to land and favored the concentration of property rights in the hands of a small elite class in society. On these larger estates / farms, landowners instituted new techniques and favored mechanization, increasing agricultural productivity and, in general, lowering food prices. Their greater productivity was also very profitable because of liberal domestic economic policies. In 1700 eighty percent of England's population was agrarian, but by 1800 only forty percent of its population was agrarian. By 1850 twenty percent of Britain's population lived in cities of 100,000 or more. Compared to Continental Europe, England's population in the early-to mid-1800s was more dense and urban.

[46]Under industrial capitalism these cities grew more rapidly than their infrastructure could absorb, forcing this reserve army of workers to live in slums and environmentally degraded living conditions. Nonetheless, urban living

Early socialists, such as Marx and Engels, critiqued the emergent transformations of society and environment under industrial capitalism. In general, early socialists challenged the intensification of labor, the miseries of the working class, the dirty and dangerous factory (and mining) conditions, the new kind of class divisions, the polarization of wealth, and the glorification of property, wealth, and individualism.

A second necessary foundation for Britain's economic nationalism was mechanization in manufacturing. Textiles were the backbone of Britain's industrial capitalism. Raw cotton from its colonies and favored trading partners was brought to England's mills. Mechanization and the factory system stepped up Britain's cotton production, making it a 'cottonopolis.'[47]

By 1870 the United Kingdom had the highest percentage of manufacturing production in the world. It accounted for 31.8 percent of global manufacturing (Halsall 1997). A significant portion was textile manufacturing and the other significant portion was from mining and metals. Britain's mining and metals industries developed at the same time demand for energy sources (vis-à-vis coal) for mechanized equipment was increasing across multiple industries. Steam power is considered the greatest technological achievement of the time, and it has roots in the late 1600s and early 1700s inventions that were used to pump water from coal mines. Britain's natural endowment of coal resources was mobilized in the push towards industrial

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and a rapidly productive agro-industrial complex supported increased population growth, which increased the reproduction of the working class.

[47] In 1790 English textile mills manufactured ten times as much cotton than was manufactured in 1770. The invention of the cotton gin in 1793 and other spinning and weaving technologies aided Britain's domination of textile manufacturing through the 1800s. In a sad twist, the more profitable England's textile mills became, the more exploited the working class became and the more the southern states of the new United States of America intensified their use of slave labor, protections for the slave labor system, and the Southern desire to expand their agricultural system westward.

supremacy throughout the 1800s, producing a new kind of energy regime that overpowered its competitors.

By the early 1800s, steam technology in the form of steam locomotives revolutionized overland transportation. Railways were more reliable, faster, and cheaper transportation networks for bulk goods (compared to canals), and reliable and efficient rail service was crucial for the growth of industries and the development and integration of the national economy. In the 1800s, the British synthesized mechanized production and mechanized transportation, speeding up industrial, trade, and financial capitalism.

In the 1840s Britain underwent a railway mania, and by 1850 Britain had the largest iron industry in the world and railways were lucrative businesses. Britain had more open railway by between 1840 and 1860 than its European counterparts (Halsall 1997). When supply overstretched demand in the domestic economy, railway iron and related trades were added to the long list of exports from Britain. Arrighi relates that "Between 1845-49 and 1879-75, British exports of railroad iron and steel more than tripled and those of machinery increased nine-fold." In these same periods, British exports of capital goods to various regions around the world increased around six-fold (1994, 161).

Britain's economic nationalism integrated its domestic economy and colonial empire under industrial capitalism's factory production system, making it both the entrepôt of global commerce and the 'workshop of the world.' Other key innovations that aided Britain's dominance were advances in telecommunications, such as the telegraph (1835) and ocean telegraph cables (by the 1850s). These forms of communication revolutionized the way Britain could govern its empire and its business.

Arrighi remarks that Britain's control over the global economy, in productive capabilities and financial capabilities, created a "system-wide speed-up in the rate at which money capital was converted into commodities" (1994, 161). Britain's MC phase was a period of much greater acceleration of the material expansion of capitalism as compared to the Genoese / Iberian and Dutch phases. To be sure, by the mid-1800s Britain had led the globalization of the capitalist world-economy, and this globalization of capitalism and nineteenth century British wealth and power rested on a policy of trade liberalization at home and abroad.

Britain's imperialism and industrial capitalism are internally related. From the very beginning of its industrial revolution in the mid-1700s, Britain was dependent on its colonies and favored trading partners to grow its industry. The continued vitality, size, and specialization of British industry by 1816 hinged on Britain's entrepôt status and colonies for inputs for domestic manufacturing and as output markets. India was forcibly moved into the breach for Britain, and not only filled the needs of Britain's industry but further expanded British imperialism and capitalism in Asia. India was Britain's 'gold mine' on which its free tradism was constructed and on which its superior status in the global economy rested. Arrighi suggests that Britain's ruling groups aggressively adopted free trade policies in the mid-1800s because they had India (1994, 264).

Free-Trade Imperialism

Early notions of trade liberalization set forth by the French physiocrats and then Adam Smith (1723-1790) were part of larger debates on national finances, trade, and monetary regulations.[48] Economics joined with states and their regional and global politics and war-making capabilities. Smith argued that freeing trade from big business, the joint-stock chartered companies, was necessary for the wealth of nations. These large monopolistic companies were "burdensome" and "mismanaged or confined the trade" (Smith quoted in Arrighi 1994, 244).

These parastatal companies laid the foundation for Britain's empire, but over time became obsolete to Britain's continued capital accumulation processes. Using their hegemony and their national economy-making capabilities, the British laid down a world-wide system of free-trade imperialism. Britain's free trade imperialism was based on: (1) domination and exploitation of non-Western peoples and (2) domination and exploitation of property-less masses in the West. In this free trade imperialism system, only the propertied classes were important, and only they had the right to pursue wealth. This 'egalitarian oligarchy' of propertied individuals was a "ruling class of citizens [who] shared the rights and spoils of political control" (McIver quoted in Arrighi 1994, 64). It acted as both the 'regulator' and 'clearinghouse' of the capitalist world-economy.

Britain governed this Western system of European states and their world-wide colonies through an above-state authority – the "new, metaphysical entity – a world market ruled by its

[48] Moral philosophers, like Smith, sought rational answers to these questions, and they also perceived their world to work on mechanical laws. To make economics more like a physical science (of the natural philosophers), moral philosophers sought to discover natural laws in economy.

own ‘laws’ – allegedly endowed with supernatural powers” (Arrighi 1994, 55). The multilateral free trade policy forced on other European states was short-lived (from around 1860 to 1879), but Britain’s unilateral free trade policy was in effect from the mid-1840s to 1931. From the 1840s to the 1860s, Arrighi underscores that Britain was the recipient of almost one-third of world exports. Almost twenty-five percent of America’s exports went to Britain, and European countries exported almost twenty-five percent (collectively speaking) of their exports to Britain (2005b, 98). He further explains the benefits that accrued to Britain because of its trade liberalization policies:

> Britain cheapened the domestic costs of vital supplies and at the same time provided the means of payment for other countries to buy its manufactures. It also drew much of the Western world into its trading orbit, fostering inter-state co-operation and securing low protection costs for its overseas trade and territorial empire. (Arrighi 2005b, 98)

Britain’s free trade ideology and its associated capital accumulation rested on imperial foundations. In the 1800s Britain’s empire was unrivalled in the history books, and Arrighi highlights the unprecedented nature of the British government’s and its clients’ abilities to quickly and forcibly extract tribute. Part of this tribute recycled into bolstering the coercive capabilities of empire, but another part was circulated into London’s world of high finance, “to be recycled in the circuits of wealth through British power in the Western world was continually reproduced and expanded” (Arrighi 1994, 54). Superiority in high finance, with their fixed currency gold standard, was an important element in this system. In this way, the territorialist and capitalist logics of power “cross-fertilized and sustained one another” (1994, 54). London, with colonial wealth pouring in, became the world’s financial center – the natural home of ‘haute finance’ – rather than Amsterdam or Paris. The global networks of cosmopolitan financiers and their control over credit (for smaller states) was in lock step with the Pax Britannica, and the British could easily use mechanisms such as monetary policy (i.e., adoption of the gold standard) and political policy (i.e., constitutional governments) to make subordinates conform to the system, rather than use militant coercion.

Free trade imperialism constructed a 'virtuous cycle' for Britain in which "British rulers created world-wide networks of dependence on, and allegiance to, the expansion of wealth and power of the United Kingdom" (Arrighi 1994, 55). The combination of almost monopoly control over global money and the global balance of power coupled with its intimate relation with haute finance enabled British rulers to effectively govern the inter-state system, and Karl Polanyi refers to the period 1815 – 1914 as Europe's Hundred Years' Peace.[49] While the British fostered the ideology that their free trade was cause for the 'wealth of nations,' this system strengthened Britain's hegemonic position as well as the rights of propertied classes to pursue wealth over the rights of sovereign nations and the human rights of people around the world.

Britain's Industrial Capitalism – the Internalization of Production Costs

Britain's long century is a new amiable synthesis of the territorialist and capitalist logics of power. Arrighi (1994, 57-8) emphasizes that in the British systemic cycle, the rulers of Britain combined traits reminiscent of the Venetian Republic and the United Provinces (small territory, heavily involved in world trade, coercive naval capabilities, entrepôt structure of domestic economy, internalization of protection costs) with traits reminiscent of Spain (far flung empire of territories that succeeded based on long distance trade and high finance networks). He

[49] From 1815 to 1914, Europeans had more peace than war as compared to previous times. There were still wars that involved Europeans, such as wars on the fringes of Europe (the Crimean War, Russo-Turkish War and various conflicts in the Balkans) as well as short wars between Europeans (Prussia's wars with Denmark, Austria, and then France).

emphasizes that the ‘progression’ and ‘regression’ characteristics of Britain by the late nineteenth century are what made it so successful (temporarily) in monopolizing the world and its money.

Britain’s industrialism and imperialism in the nineteenth century “were integral aspects of its *enlarged* reproduction of the strategies and structures of Venetian and Dutch entrepôt capitalism” and these were integral aspects of Britain’s global commercial and financial dominance (Original emphasis Arrighi 1994, 176). The British had transformed state monopoly capitalism pace the Venetian Republic and the United Provinces by internalizing production costs.

Arrighi explains that the internalization of production costs is a “process through which production activities were brought within the organizational domain of capitalist enterprises and subjected to the same economizing tendencies typical of their enterprises” (1994, 177). Britain’s internalization of production costs was an ‘organizational revolution’ in the capitalist world-economy, an organizational revolution that globalized the capitalist system.

To be sure, industry, trade, and financial capital have always existed in some mix, but only when the British internalized both protection and production costs did industry, trade, and financial capital synthesize into a complex and powerful world-dominating system. Under the British regime, production became a mode of accumulation. Under the British ‘cosmopolitan-imperial’ regime, more space was discovered and conquered for capitalism.

British Financialization

By 1870 Britain's leading capitalist agencies have taken a clear switch to finance capital. From the 1840s to the 1870s world trade booms and Britain is the main beneficiary. Nevertheless, the 'Great Depression' of 1873-1896 marks the end of Britain's material expansion; and all systemic material expansions (pace Braudel and Arrighi) end with escalating competition, which can be inter-state struggles (e.g., Spain's wars in Europe and the Napoleonic Wars), but in this cycle intense economic struggles preceded 'customary' outbreak of inter-state warfare. Arrighi notes that inter-capitalist and then inter-state struggles are a "main expression and a factor of a deepening contradiction between the self-expansion of capital and the material expansion of the world-economy" (1994, 228).

The economic downturn initiated in 1873 occurred during a period of explosive economic growth, especially for Germany and the United States. Arrighi links the financial crises of the 1870s through the 1890s to the too large, too rapid, too booming global economy of the late nineteenth century. Cut-throat price competition had set in by the 1860s, and British capital surpluses were already being re-directed into more liquid investments via Britain's network of provincial banks linked to London. Other countries, such as the U.S., deal with this situation by adopting protectionist policies to counter the economic and social instability wrought by Britain's unregulated world market.

British capital turns to high finance, dominated by German-Jewish banking families such as the Rothschilds (the *nobili vecchi* of their day), and a territorial logic dominates in government (i.e. colonialism in Asia and Africa). Cosmopolitan banking families in alliance with Imperial Britain (through the central bank and treasury) were the 'governors of the financial engine' (1994, 167). Just as the Genoese diaspora had gone to the Iberian Peninsula in search of profitable outlets for their capital surpluses and landed a spectacularly profitable role as the 'invisible hand' of Spain's imperialism and the European world-economy, this new business clique is able to accomplish the very same thing. More stable and economically liberal Britain offered opportunities unavailable in the politically and economically fragmented Germanic region. Merchant banking families like the Rothschilds brought their trade networks and liquid capital with them; and, in the case of British industrialism, their abilities to procure inputs, such as cotton, and secure outlets for finished goods was a valuable talent during Britain's 'workshop to the world' period. The British domestic and colonial economy offered stability, security, and much less risky money-making opportunities. The German-Jewish merchant banker diaspora, who were attracted to Britain's much less regulated industrialism in the late 1700s and early 1800s, emerged as the central bankers of the British Empire by the 1850s.

In this case, German-Jewish banking families are the 'invisible hand' enabling Britain's territorialist rulers to "reach and control a greater number and variety of power and credit networks than they [Britain] would have ever been able to do just by deploying the 'visible hand' of their state- and war-making apparatuses" (1994, 167).

The Age of the Rothschilds in high finance (1866-1931) coincided with a system-wide period of unprecedented cut-throat competition, price deflation, and 'unreasonably' low profits. Unlike the Age of the Genoese (1557-1627) during which the Price Revolution of inflation and warfare raged across Europe, the end of Britain's MC phase is mark by deflation. Arrighi relates this decrease in prices to Britain's hegemony and free tradism. In both the

Genoese / Iberian cycle and the British cycle, the rising of prices in the former and the declining of prices in the latter, sent capital into the hands of bankers and financiers.

Inter-State Competition and Systemic Chaos

When dominant banking families, such as the Rothschilds, left trade to dominate high finance around 1866, their experiences, connections, and abilities to recycle capital drained the ever-larger surpluses accumulating in Europe to London. By the late 1860s, commodity capital was rapidly converting to money capital. These surpluses became available as credit and inter-state competition for mobile capital became much more intense. By the 1890s, the inter-state competition for mobile capital aided the rise in prices and thus profits. Other contributing factors to returning profitability in trade and production would be the purging (through defaults and bankruptcies) that went on in the wake of financial crises in 1873 and 1893. Also, as prices recovered in Britain, wages underwent a slight decrease, finally bucking the upward trend of the previous fifty years.

Intensifying inter-state competition in the late 1800s through 1914 contributed to ever-larger military budgets. Arrighi relates that the total military spending for Great Britain, France, Germany, and Austria-Hungary rose from 132 million pounds in 1880 to 205 million pounds in 1900 to 397 million pounds in 1914 (1994, 172).

Accelerated European imperialism in Asia and Africa from 1870 to 1914 is part and parcel of the increasing inter-state competition for mobile capital, which in turn, was part of the coming inter-state conflicts. Increased European imperialism in this phase of discontinuity is underpinned by other countries following the developmental path laid down by Britain as well as their attempts to compete with Britain. Accelerated colonization in the non-Western world by Europeans resulted in Europeans laying claim to 67 percent of the earth's land by 1878 and further domination rendered 85 percent of the world's land under European control by 1914 (Magdoff in Arrighi 1994, 53). And, of course, the United Kingdom had by far the largest empire. Britain "resurrected imperial rule on a scale the world had never previously seen" (1994, 53).

When Hobson and Lenin analyzed this 'new imperialism,' they both found that imperial endeavors were linked to crisis in capitalism. Hobson and Lenin emphasized the role of increased competition at home as the driving force behind the expansion of capitalists and capitalism into new markets for investment and profit. From the long term perspective adopted in this study, there is nothing new about this kind of capitalist imperialism. This mix of European capitalism, imperialism, and militarism in the late 1800s would be familiar to the Venetians of the 1400s. The new element in this mix is industrialism and thus the industrialization of warfare.

The belle époque of Edwardian Britain (1896-1914) was a 'wonderful moment' for businessmen who no longer had to contend with cut-throat competition and 'unreasonably low' profits. The economic contractions in the 1870s and 1890s hit the business community very hard. Nonetheless, profitability returned by 1896 and the bankers of Britain (and other Western nations) enjoyed high profits. This beautiful time was cut short by World War I, and however profitable WWI became for some bankers, financiers, and businessmen, the Great War was catastrophic for nineteenth century capitalism, including British capitalism. The territorial antecedents of the war – the imperial basis for the war – were evidenced by the negotiations at Versailles where Great Britain emerged with over one million square miles added to its empire (i.e. mandates in the Middle East).

Britain's capitalism was dealt a serious blow by WWI. Britain's role as 'banker of the coalition' seemed manageable given their viable revenue stream from foreign investment (mainly in the U.S.). Except the war became something altogether different from what the European rulers had intended, and Britain became indebted to the U.S. and ultimately reliant on American agricultural, industrial, and military capabilities to turn the tide of war against the Germans.

In the wake of WWI, Britain and the rest of the Western world strived to return to pre-1914 monetary arrangements, including a return to the gold standard and London's supremacy in high finance. Restoring the international gold exchange standard, according to Arrighi, caused its terminal crisis. In order to stabilize their currencies, each country resorted to protectionism which strangled the global economy.

Capitalist agencies favored more liquid investments, and what became known as 'hot money' went on a global search for speculative profits, causing more pressure on a given country's gold and foreign exchange reserves. Even the U.S., with its more substantial global liquidity, was constrained and by 1928 U.S. banks recalled their European loans and U.S. foreign investment disappears. As the speculative fever increased, the likelihood of an economic bust increased. The crash of 1929 and the ensuing worldwide depression ended the British long century as well as high finance in world politics. During the inter-war period, nations retreated into their own economies and re-structured their national capitalisms.

In both the Dutch and British turns to financialization, de-industrialization and declining working class incomes were commonalities. An important difference is that Britain controlled the global money spigot, and when Britain abandoned the international gold standard in 1931, they lost their monopoly on the world's money.

Challenges to British Hegemony

Compared to the Dutch and the Genoese, Britain's hegemony in the late nineteenth century was much stronger and global in scope. In their rule, the British had expanded and intensified the capitalist world economy. Arrighi argues that the decisive factor in any state's desire to compete with the United Kingdom for world power is a large, productive domestic economy with tremendous growth potential. Contenders would have to rely on their internal economic development as a foundation to make inroads into the global (political and economic) networks ruled by the United Kingdom. Both the Germans and the Americans threatened Britain's role as world political and economic leader. Germany's territorialism and America's material expansion within its own national borders coalesced together to weaken and overcome Britain's hegemony.

Late nineteenth century unified Germany underwent a period of intense economic growth and industrialism, and the Germans created a powerful military industrial complex. Arrighi notes that Otto von Bismarck had initially intended to use economics to consolidate federal power and integrate the new country. His version of state corporate capitalism, which utilized heavy protection of the domestic economy, restructured family capitalism into centralized corporate capitalism.

While the new German state was very successful and developed a stronger economy, it was still a 'tributary' state to both British hegemony and American material expansion (i.e., immigrants). The German ideology of Lebenstraum (living space or life space) pushed German rulers to escalate inter-state conflict, causing what Arrighi calls the 1914 – 1945 hegemonic war. Rising Germany imperialism in the late 1800s, paved the way to World War I which undermined British hegemony. German territorialism in continental Europe exploded into World War II, which also undermined Britain's hegemony. Of course, both of these conflicts undermined German economic health, regional power, and its prestige. From Arrighi's hindsight perspective, Germany did not embody the needed the criteria to sufficiently challenge the British – its domestic economy, while brilliantly efficient, productive, and technologically savvy, was not big enough (including growth potential) to compete for world hegemony. It geographical position in Europe was also an obstacle.

America's size, geographical position (access to Atlantic and Pacific Oceans) and relative isolation, natural resources, and government policies made it the main beneficiary of Britain's free trade imperialism. The U.S. government in the nineteenth century consistently favored protectionist policies. The government's protectionism paired with its openness to foreign investment, immigrants (labor), and foreign enterprise was a winning combination with almost "unilateral transfers of labor, capital, and entrepreneurship flowing from the rest of the world to its political jurisdiction" (1994, 61). The U.S. was the main beneficiary of Europe's inter-state conflict, but it also gained had "sufficient weight in the capitalist world-economy to be able to shift the balance of power among the competing states in whatever direction it saw fit" (1994, 61). Throughout the period of turbulence from 1914 to 1945, the U.S. consistently responded to economic adversity with protectionist measures, and U.S. protectionism bred protectionism abroad.

The system wide chaos in inter-state relations from 1914 to 1945 and 'industrialization of warfare' shattered the two bases on which Britain's free trade imperialism rested – the exploited masses in colonies and the property-less workers in Europe – and created a massive wave of popular protest and rebellion. In this time period, the world market and the Westphalia system that Britain ruled over since 1815 more or less ceased to operate.

British Scalar Imperialism

Britain's scalar imperialism was a long-term process punctuated by violent warfare and socio-political struggles as well as great technological achievements to cull the world's strategic resources and mobile capital for the benefit of the British Kingdom and its capitalist class. The immense scale and wealth-generating success of the British Empire from the 1800s to 1900s expresses the amiable synthesis of territorialism and capitalism in this cycle.

Britain's material expansion increased the global scope of capitalism through imperialistic processes which relied on natural resources, labor power, and markets supplied by colonies. Britain's scalar imperialism, its world-shaping empire and domination of the capitalist world-economy, is internally related to the imperial successes and limits of the Dutch capitalist class via the United Provinces as well as internally related to Dutch capitalists switch in speculation and investments to English stocks.

Britain's economic nationalism in the 1700s and 1800s depended on the colonial spatio-temporal fixes and scalar fixes for accumulation crises that cropped up in their domestic economy. The dominance of capitalist industrialism at home and intense imperialism overseas was a powerful combination that solved the limits to British capital at home by laying down colonial scalar fixes. Britain's roles as 'workshop of the world' and 'world entrepôt' were "obverse and mutually reinforcing sides of the same process of world market formation," and were completely dependent on Britain's imperialistic activities (Arrighi 1994, 213). After 1815, the structure of British business was reminiscent of the Genoese, except that both protection and production costs were internalized inside Imperial Britain, with vital significance resting on the role of India in Britain's free trade empire. The global scale and scope of Britain's capitalism and territorialism perpetuated British hegemony and capitalism as a world-system.

For Britain the mid-to-late nineteenth century was a period of jubilant triumph in empire and wealth. By 1873 the leading banking houses in Britain, such as the German-Jewish House of Rothschild, had switched from investing in the productive economy to the financial economy. Britain's financialization was a solution to problems in Britain's accumulation by expanded reproduction, i.e., the escalating inter-capitalist competition in the late nineteenth century's violent upswings and downswings. As Britain's leading capitalist agencies favored financialization, Britain's rulers continued to favor the acquisition of overseas territory.

Britain's rulers were not only continuing a long term trend as imperialists, they also were aggressively competing against their European rivals for space and resources to buttress their power in the modern industrial capitalist world-economy. For the upper echelon of British society, the late 1800s was a beautiful time of profitability and faith in Britain's global superiority. Britain's scalar imperialism was still going to act as a strong mechanism to uphold British hegemony and hegemoney. It took two major world wars, an influenza pandemic, a deep depression, and competing political ideologies to ruin British hegemony and weaken the British Empire.

Nonetheless, Britain's turn to finance capital signaled its weakening position in relation to emergent industrial competitor nations, mainly the U.S. and Germany. Also, Britain's free tradism created backlash protectionist economic policies by the American and German governments. As rival European nations and wannabe nations escalated an arms race and inter-state competition for territory and resources, Britain was caught in a difficult situation of increasing volatility. In the summer of 1914, the rapid escalation of turmoil in the Balkans into a widespread war was disastrous for Britain and the global capitalist economy. At the same time, British capitalists and then the British government are more intricately linked in with the increasing economic power of the U.S., and ultimately it is American manpower and resources that helped crush Austrian and German ambitions.

Arrighi pinpoints WWI when the European balance of power tilted towards the U.S. (2005b, 102). The U.S. emerged as a major creditor nation to the tune of $9 billion dollars and its debtors were Britain and France, mostly solvent nations. Britain had loaned extensively to tsarist Russia early in the war, but revolutionary Russia did not intend to honor the loans. Three-quarters of Britain's net war credits of $3.3 billion dollars had to be written off (1994, 270). WWI disrupted the structures that held together the world economy dominated by Britain, such as Britain's receipt of India's and other countries' surpluses and the emergence of trade imbalances between Britain, Europe, and North America. The Great Depression and World War II completely demolished the capitalist world-economy and British hegemony and empire.

Conclusion

What began in the early 1500s and was completed by the late 1800s was the complete domination and submission of Asia (with the exception of Japan) along with the rest of the non-Western world. Ironically, the submission of Asia carried out by the British and other Europeans by the 1800s is part of a long chain of events that rests on Mongol imperial rule in Asia in the 1300s, mainly the emergence of wealthy northern Italian merchant bankers who participated in long-distance Eurasian trade fostered by Mongol khans. Since the 1500s, Western capitalism and its government-business complexes – the Genoese/Iberians, the Dutch, and British – have relied on imperialistic spatio-temporal fixes, scalar fixes, and accumulation by dispossession as contributing sources in their material expansions along with resolving over-accumulation crises in the Western capitalist system. These regimes created very deep and exploitative patterns of uneven geographical development.

The emergence and maintenance of Western capitalism is dependent on imperialism. In the history of Western capitalism, the imperialistic activities of Western government-business complexes, whether more territorialist, more capitalist, or a harmonious blending of the two strategies, conquered and consolidated new territory and people into the capitalist system, which in turn expanded the scale, deepened the scope, and accelerated the pace of capital accumulation processes. Successively more powerful and geographically expansive hegemonic government-business complexes maintained and benefitted (temporarily) from these historical processes.

Phases of material expansion have given way to phases of financialization, in which increasing volatility increases the opportunities for speculation, and imperial activities play a profligate role in both phases of material expansion and phases of financialization. These powerful regimes and their scalar productions are internally related as each regime's limits and barriers to capital accumulation were resolved by the next rising regime. However, these phases of discontinuity, when hegemonic shifts are afoot, are periods of intensified inter-capitalist competition and inter-state struggles that flared into systemic chaos. In the history of the capitalist world-economy, crises are endemic and instability is recurrent.

Scalar imperialism can shed light on the larger pattern of Western domination over its competition as well as on the systemic patterns as capital accumulation processes transition to ever-larger but still Western political, economic, and social spaces of power. Scalar imperialism is the lens to study the social production of spatial scale under capitalism and imperialism, that is, under a system of Western capitalist states that have expanded a capitalist form of economy into a global system and subjugated the rest of the world.

Chapter 6: The Fourth Systemic Cycle – the United States

Introduction

This general aim of this research study is to bring imperialism back into the theoretical and real world discussion about capitalism and hegemonic states and use concepts on the social production of geographic scale to interpret the relation between capitalism and imperialism. Imperialism has disappeared from public discourse since the mid-twentieth century, and while this fifty-odd year hiatus is attributed to the hegemonic power of the U.S. in erasing the term from public use, the declining power of the U.S. should in the very least allow for a concomitant rise in discussing the interconnections between historical variations of scalar imperialism and the American usage of scalar imperialism to gain and retain either its hegemonic or a dominant position in the global capitalist system.

America's path to hegemony relied on an internal and relentless scalar imperialism to construct a powerful, resource rich nation. This continental-sized nation industrialized and modernized at a fortuitous point in Western history, a point when the previous hegemon, Britain, and its challengers in Europe carried out one gigantic and bloody hegemonic conflict from 1914 to 1945. The U.S. government-business complex emerged out of this inferno as the de-facto hegemon with unprecedented productive capacity and an unprecedented level of power and control over the rest of the world.

From the mid-1940s to the present day, the U.S. has strived to maintain its hegemonic status and control over the capitalist world-economy. In order to accomplish these goals, the U.S. embarked on new kinds of scalar imperialism to cement its position in the world. Its strategies have varied from historical scalar imperialisms, but it has made, destroyed, and re-made space, scale, and social relations to fit the goals of maintaining Western capitalist hierarchies of dominance and exploitation over the non-Western world (excluding Japan). As previous hegemons in their cycles have relied on imperialism to alleviate limits and barriers to Western capital accumulation, the U.S. also relied on imperialism to counter crises in twentieth and twenty-first century Western capitalism.

America's Material Expansion

Scale and the Making of America

This research study differentiates between America's internal imperialism and its external imperialism. In the Age of Discovery, the Americas were a territorial prize of unknown value. Fairly quickly the Europeans bring their territorial warfare to the Americas and to the indigenous populations. From the early 1600s to the mid-1700s, European empires and their colonists charted a course of territorial conquest and indigenous cooperation and/or annihilation in North America. Britain and its colonists emerge as the makers of North America in 1763, and the early colonies are well within the orbit of British capitalism, empire, and hegemony.

Commodity exchanges among the American colonies, Caribbean, West African coast, and Great Britain (the Atlantic Triangular Trade) are an important part of eighteenth century British capitalism. The creation of North America as an important link in the British-dominated capitalist world-economy is where the colonists begin to diverge from the home government. Britain's trade flows with the American colonies are bureaucratically controlled and lucrative, and these flows are lucrative for the colonists as well. However, the great divergence between the home government and the colonists is the continued expansion of the colonies westward. Many of the land-hungry colonists desired a much more expansive material production of the colonial scale, and from their perspective in 1763 the British government did not share this vision. The aggressive territorialism of the United States in the nineteenth century is the fullest expression of eighteenth century colonists' desires to own the vast and seemingly infinite resources and fertility of the land.

America's Nineteenth Century Scalar Imperialism

Gareth Steadman Jones explains that the "whole internal history of United States imperialism was one vast process of territorial seizure and occupation." He argues that America did not have colonies abroad, in the nineteenth century European sense, because the

American government and its citizens were carrying out “unprecedented territorialism at home” (Jones in Arrighi 1994, 59). The capitalist logic of power pushed this territorialism forward, and Arrighi finds that “US capitalism and territorialism were indistinguishable from one another” (1994, 59). America gained empire in its own way, and America’s empire had much lower costs (protection costs) than Britain’s global empire of colonies.

In the mid-1700s, America’s internal territorialism intensified as the British strived to control and restrain colonial expansion in North America. The dissatisfaction among the colonists over the limits to territorial expansion imposed by Britain after the Seven Years War was the seedbed for revolution (i.e., the Proclamation of 1763). Colonial territorial expansion and native displacement / removal were mainstream ideas in the Thirteen Colonies. Arrighi comments that after independence even the Founding Fathers considered ‘empire’ a synonym for their new federal union (1994, 60).

Throughout the nineteenth century, ‘America’ underwent a massive nation-building process that was predicated on dispossession, purchase, and warfare. America’s seventeen states and three territories in 1800 were transformed into a continental empire by the 1870s, which is just in time to compete with Britain and the rest of Europe for increasingly available mobile capital. The fledging U.S. benefited from the systemic chaos in Europe during the early 1800s as Napoleon focused his conflicts in Europe and unloaded colonial territories, such as America’s Louisiana Purchase, to raise revenues for war.

The War of 1812, a spill-over conflict from the Napoleonic Wars, is an important moment in American nation-building, because it afforded the Americans an opportunity to wage wars against the native population and take their land. Western and southern war hawks in Congress, such as Henry Clay and John Calhoun, wanted to use the war with Britain to legitimize attacks on Native Americans and to seize Florida and Canada. During the War of 1812, ruthless military campaigns were waged to dispossess Native Americans of their lands.

Despite the fact that the Americans did not take Canada or Florida during the war, Andrew Jackson's decisive win over the British at New Orleans solidified the power of southern and western war hawks in the U.S. government. By 1816, Jackson has taken Florida by force, and by the 1820s Republican President James Monroe formulated the Monroe Doctrine, in which he asserted America's regional authority. Jackson will go on to become president in 1828 and solve what he considers the 'Indian Problem' by forcibly moving all eastern tribes west of the Mississippi River.

By the 1830s, Americans with their slaves have poured into northern Mexico, into Stephen Austin's land grant in Texas. As the Mexican government tried to stem the flow of immigrants by banning slavery in 1830, within six years Sam Houston coercively annexed land and established the Republic of Texas, and by 1845 the U.S. took the rest of 'Texas' by force. War hawks in Congress paired the coercive annexation of Texas with the expansion and defense of slavery, America's dominance in cotton, and competing against Britain.

After success with Texas, President Polk targeted Mexico's Northern provinces, but his offers to buy them are rejected and he resorts to war. American victory in the Mexican-American War (1846-1848) yields modern day California, New Mexico, Nevada, Utah, Arizona, and some of Wyoming, and around the same time gold in the Sierra Nevadas. Mexico lost one-third of its territory and vast gold resources, although the U.S. still paid fifteen million dollars for the land. American acquisition of Mexican land was totally bound up in the power ambitions and moneyed interests that supported capitalist slavery agriculture and the expansion of that system westward. Southern elites argued that their continued productivity and prosperity required spatially expanding the scale of their system of agriculture and slavery.

By the 1850s, the U.S. had conquered its way to a continental-sized country. The U.S. government heavily favored western settlement. Manifest Destiny was the credo of white settlers who were land hungry. As the U.S. overcame its spatial barriers, its internal contradictions between free labor agro-industrial capitalism and capitalist slavery agriculture came to blows. When prairie Republican Abraham Lincoln was elected president without southern support in November 1860, the fire-eaters of South Carolina seceded from the U.S. in December 1860, beginning a four year long civil war that would decide just what kind of nation the U.S. would become and what sorts of social and economic relations would structure the nation.

After estimated six hundred thousand plus casualties of war, the ambitions of the Southerners were broken by overwhelming Northern money, agro-industrial resources, and manpower. American territorialism, slavery, and Southern agriculture of the early to mid-nineteenth century had to take a back seat to the increasing wealth and power of agro-industrial capitalism dominated by Eastern interests. Also, in the post-Civil War industrial boom, the U.S. government-business complex definitively crushed Indian resistance. In the nineteenth century, the U.S. government's blending of territorialism and capitalism was relentless in its conquest of space and subjugation of the native population.

Internalizing Transactions Costs – the National and Transnational Corporations

After the U.S. makes its own enlarged scalar frame and resolves the power struggle between North and South, the American regime of accumulation succeeds Britain because it internalizes protection, production, and transaction costs.[50] Arrighi defines transaction costs as "the markets on which the self-expansion of its capital depended" (1994, 218). In the late 1800s, business organizations in the U.S. and Continental Europe underwent an organizational revolution. Both the U.S. and the new German state led the field in business re-structuring, but their paths diverged in how businesses were re-structured to accommodate the increased financial outlays required in the emergent Second Industrial Revolution of the late 1800s. These changes are reflective of the long term investments and associated risks in modern industrial production. In both cases, one multi-unit business internalized transaction costs, risks, and market uncertainties; and paired with government protectionism, these firms were strong alternatives during the late nineteenth century's instability raging within Britain's free tradism world-market.

The Germans favored a handful of large horizontally-integrated business enterprises that had tremendous protection and economic security guaranteed by the German government and German banks. This stability allowed for 'technological rationality' that prized efficiency and also cutting edge scientific innovations (Arrighi 1994, 254). Germany became 'one big

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[50] Arrighi explains that the notion of transaction costs stems from Richard Coase (1930s), Oliver Williamson (1970s) and Alfred Chandler's (1970s) analyses of vertically integrated corporations and the 'modern' corporation.

factory' as evidenced by their six fold increase in output between 1870 and 1913 (1994, 268). Britain's industrial performance only slightly doubled in the same time period. German success put it on a "collision course with the power and interests of Imperial Britain," and WWI and WWII culminated in setting Germany back on its developmental path and destroying Britain's empire, hegemony, and grasp on the global economy. The U.S. is the main beneficiary of these struggles, but it was well-prepared to seize power.

In the U.S. the companies emerging out the Civil War and the economic downturn in 1873 sought out organizational innovations that would limit market uncertainties, reduce their risks, and increase profitability. The solution was vertically integrated companies and corporations. The premise was bigger was better. These vertically integrated companies were pioneered in the railroad and iron / steel industries in the post-Civil War period and then spread to other industries.

In the U.S. western railroads interlocked western agribusiness and western mining with the rest of the nation and the global economy. Railroads and the emergent steel industry made up the main pillars of economic expansion in the post-Civil War period. Early on 'wreckers' like Jason 'Jay' Gould made fortunes speculating in railroad stocks, and stock speculation encouraged, in fact overly encouraged, the construction of railroads. In 1860 railroads extended as far west as Missouri and by 1870 only one line connected east to west. By 1890 the West was fully integrated with the rest of country, and this process was eased by quite large federal land grants and subsidies to railway companies. As the railroad industry boomed so did the steel industry, as well as telecommunications (the telegraph).

In the get rich quick mania of the Gilded Age (1870-1895), money fever permeated the U.S. economy. Mark Twain's *The Gilded Age* satirized not only the intimate relation between government and industry but also the greed of the times. While stock speculation was rampant in this time period, the emergence of modern industries and new technologies (i.e., steel, electricity, chemicals and oil) is internally related to the emergence of large, vertically-integrated corporations.

In these vertically-integrated companies, all aspects of the business were controlled from the top-down to lower costs and risks and maximize outputs and profits. The vertically-integrated corporations of late nineteenth century America constituted an organizational revolution in business that enabled "high volume of market transactions within a single enterprise" (1994, 240). Mass production and mass distribution were brought together within one business organization, and Arrighi refers to this as 'economies of speed.' From the extraction of raw material to distribution of the product to customers, the whole process was subject to the logic of capitalist agency. This logic intensively used personnel, facilities, and resources.

This process allowed for the rise of industrial robber barons, who rapidly achieved the status of millionaire and billionaire, which would have been unheard of in the pre-Civil War period of family capitalism. These captains of industry sought to create monopolies for centralized control, reduce market uncertainty, eliminate their competition, increase profits, and evade any form of government regulation. The trend of business consolidation swept across U.S. manufacturing, agriculture, and banking. John Pierpont Morgan helped usher in the

American era of corporate consolidations, re-organizing and consolidating companies such as General Electric and US Steel, and he stressed consolidation as protection from cyclical fluctuations and from cut-throat competition.

Between the major economic contractions in 1873 and 1893, large vertically-integrated corporations were considered necessary to avoid the economic pitfalls in the violent upswings and downswings in the market as well as the need to influence government and suppress labor movements. These vertically-integrated firms had steady cash flows for re-investment in the firm and they far outpaced their competition. By the turn of century, vertically-integrated corporations monopolize U.S. industry.

The U.S. Supreme Court gave 14th Amendment rights to corporations in the early 1900s. While the 14th Amendment was implemented by a Republican Congress during Reconstruction to protect the rights of freed persons from being violated by state governments, corporations gain the rights of 'persons' under the law. This decision sanctified the U.S. government's alliance with American corporate capitalism.

The vitality of American corporations is evidenced by their international presence by 1914, and the Europeans referred to their presence as an 'American invasion' and 'American challenge.' U.S. direct investment in Europe in 1914 was 7 percent of Gross National Product, and Arrighi notes that in 1966 it was also 7 percent (1994, 241). The international expansion of American vertically-integrated businesses was built upon the national consolidation of business through western nation-building and the Gilded Age shift towards business consolidation. The U.S. government organized, promoted, and maintained these transformations.

Arrighi contrasts why the British failed to adapt to this changing business environment and global economy. By the 1870s, Britain's turn to financialization and its continued superior position in high finance and the global economy immunized its leading capitalist agencies, making them "indifferent to the disturbances in the industrial balance" (1994, 154). Arrighi notes the 'pecuniary rationality' of British capitalism was compatible with its system of flexible specialization in the nineteenth century. [51]

Britain's extroverted economy was the result of particular historical processes. As Britain's domestic industries lost their competitive edge in the late 1860s and 1870s, its trade and finance industries became more competitive. In 1899 Halford Mackinder remarked that Britain's monopoly on money capital necessarily would link Britain with developments around the world (Arrighi 1994, 285).

For the Americans, their vertically-integrated national and transnational corporations eventually consolidate the capitalist world-economy in a system of national markets and transnational corporations based in the U.S. (1994, 219). Arrighi emphasizes that late 1800s American joint-stock vertically-integrated firms are reminiscent of the earlier Dutch joint-stock chartered companies. Even though the Dutch companies were parastatal firms that specialized in territorial monopolies, their bureaucratic structure and capitalist logic bear similarities. The Dutch firms "were integral to the consolidation and expansion of the territorial exclusiveness of the European system of sovereign states" (1994, 242). The American transnational

[51] Arrighi (1994, 283-5) explains that flexible specialization British style comprised small and medium sized firms that existed under free tradism, and these firms were in a state of perpetual flux in order to most profitably exploit Britain's status as entrepôt and the networks of imperial trade. All of these firms were extroverted and vertically fused into Britain's global network.

corporations, unlike their British counterparts which were mostly family businesses, were purely businesses enterprises that “specialize functionally in a line of business across multiple territories and jurisdictions” (1994, 242-3). These businesses made great gains from the 1870s to 1945, and the vertically-integrated transnational U.S. corporations “truly superseded” the British-centered world economy (1994, 287).

America’s transnational corporations enabled men to rise to far superior economic and social status. John D. Rockefeller was America’s first billionaire in the Gilded Age, and the Rockefellers, Carnegies, Astors, and Vanderbilt-types in American society wield vast social power over state governments and the national government. By the early 1900s, many Americans felt that their democracy was corrupt. Mainstream America – the Progressive Movement – feared the power of big corporations over government. Progressives quite clearly understood how the social power of money held by private persons, such as J.P. Morgan or Rockefeller, could be very harmful to America’s democratic institutions and the health of society in general. Progressives of the early twentieth century realized the dangers of the social power of money under a capitalist form of economy. They understood that it appears to have “no inherent limit,” because the accumulation of money can be limitless (Harvey 2010, 43).

Neither the Dutch or British rulers had to contend with the kind of fantastic wealth and social power embodied in these turn of the century corporations and their owners. The U.S. government had protected these businesses from foreign competition and fostered their development through a lack of domestic regulation, and by 1900 U.S. political leaders appear to be the junior partners in the government-business relation. The reversal of this relation occurs under Franklin Delano Roosevelt, who takes advantage of the Great Depression and WWII to revamp and strengthen the government's relations with business.

Arrighi uses Henri Pirenne's idea that phases of economic freedom (the Genoese and British cycles) alternate with phases of economic regulation (the Dutch and American cycles) (1994, 243). Britain's free trade imperialism in the nineteenth century generated the "systemic conditions under which US corporate capitalism" emerged and then dominated the world-economy (1994, 244). The U.S. benefitted from British investments in U.S. companies in the late 1800s.

The systemic chaos and turbulence of 1914-1945 created an environment in which the U.S. 'leapt forward' in wealth and power on the basis of its growth in the nineteenth century and involvement in WWI and WWII. By 1945 the U.S. had a number of economic achievements, such as centralizing world financial power within its boundaries, a productive capacity that by far outpaced its competitors, and a leading edge in the industrialization of warfare. Arrighi stresses that vertical integration was the most important feature of U.S. capital accumulation and it successes from the late 1800s through 1945 and beyond. American vertically-integrated transnational corporations superseded Britain's world market.

American Hegemony

The U.S. gained hegemony "by leading the inter-state system towards restoration of principles, norms, and rules of the Westphalia system, and then went on to govern and remake the system it had restored" (Arrighi 1994, 65). While achieving hegemonic status was in the

U.S.'s national interests, it seemed to be in the general interest of the perpetually warring European states. Whether it was real, imagined, manufactured, or persuaded, the U.S. and its rulers provided an end to systemic chaos and re-established stability and profitability in the mid-twentieth century.

The United States acquired its hegemony and hegemoney by following a well-worn path – through warfare and systemic chaos – and American statesmen worked to create a new social order based on American economic imperatives. They diverged from their hegemonic predecessors and avoided territorial imperialism. Instead, American statesmen in 1944 and 1945 opt to consolidate their newfound hegemony by constructing and controlling a new world monetary system. From the mid-twentieth century onward, America creates a global economic empire of control built on the U.S. dollar, American transnational corporations, and its military power.

Idealistic American Hegemony

What U.S. president Woodrow Wilson introduced with his Fourteen Points agenda at Versailles at the end of WWI and what U.S. president Franklin Roosevelt envisioned for the post-WWII world, was a repudiation of the European system and European-style imperialism. The American rulers had a world vision, and FDR in particular envisioned a world government. This vision required decolonization, self-determination, and international institutions, i.e., the United Nations. Arrighi states that America's ideology of "the provision of a livelihood to all subjects," which he refers to as 'high mass consumption,' was joined with American hegemony to make other sovereign governments less free. Arrighi relates that "institutions of US hegemony have considerably restricted the rights and powers of sovereign states to organize relations with other states and with their own subjects as they see fit" (1994, 67).

FDR's vision would have required liberal U.S. government spending to create a Pax Americana 'for the benefit and security' of all countries. Before he died FDR put in place a handful of international organizations that were intended to guide the re-development of the world-economy under American hegemony. At Bretton Woods in 1944, the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD, which would become the World Bank), and the General Agreement on Tariffs and Trade (GATT, now the World Trade Organization) were established.

Bretton Woods also implemented world monetary reforms, and the U.S. dollar fixed to gold became the world standard. What FDR managed to do at Bretton Woods was put the U.S. government in charge of global money and economic re-development of the capitalist world-economy. Neither Wall Street nor any finance capitalist played a fundamental role in ending the British-centered system and making a new one. Arrighi relates that "world money thus became a by-product of state-making activities" by the U.S. government (1994, 278).

Arrighi contrasts this arrangement with the British system under British hegemony. Britain, as the leading economy in the capitalist world-economy, had very early on adopted an extroverted economy and engendered capitalist agencies to control financial capital and profits, and "world money was thus a byproduct of profit-making activities" (1994, 278). Britain's greatest advantage in this approach was it empire of colonies, metallic standard, and British capitalists' control over the world market.

In the post-WWII world, the U.S. gained hegemony, but its economy was a dominant economy, not a leading economy. Also, the U.S. economy was autocentric based on its own historical internal processes of development. At Bretton Woods the U.S. commandeered the circuits and networks of world money in an aspatial imperialistic maneuver when compared to the British system. Britain did not control the money per se, but they controlled the places, trade relations, and markets; whereas, the U.S. controlled international money, dominated trade relations and markets, but did not directly control other nations' territories and governments. The U.S.-centered world monetary system is buttressed by their near monopoly on global liquidity, holding around seventy percent of global gold reserves at the end of WWII (Arrighi 1994, 275). FDR and his administration engineered an American financial empire.

American Hegemony in Practice

The challenge weighing on President Truman in 1945 was how to translate America's newfound hegemony into reviving capitalism and a continued economic expansion of America's domestic economy and the capitalist world-economy. This same problem faced Britain in 1815. Its solution was India, and the system worked quite well until the 1860s. In Truman's case, he needed to legitimize a program of excessive government spending at home and abroad along a much longer timeline than allotted for in the Marshall Plan.

Within eight years of the end of WWII, Truman's inflation of the communist threat and fear-mongering (i.e., Truman Doctrine, National Security Council position document NSC-68, McCarthyism) coupled with the Korean War (1950-1953) created a successful combination for continued material expansion based on domestic re-armament, re-building and re-arming the

European countries in the North Atlantic Treaty Organization (NATO)[52], and direct spending by the U.S. military abroad (Arrighi 1994, 297-8). Both FDR and Truman's post-WWII strategies of a 'warfare-welfare state' at the world scale brought the U.S. into direct engagement with the rest of the world and positioned the U.S. as the economic and political leader (Arrighi 2007, 52).

These solutions solved the stutter stops in the recycling of world liquidity back to the United States. Since the U.S. controlled the global money spigot, it led to a period of unprecedented economic growth for the U.S. from the 1950s until the early 1970s. The Truman administration's strategic decisions laid the foundation for a renaissance of capitalism and the fullest material expansion of the American economic phase. In the American phase, the speed, scale, scope of capitalism surpassed previous cycles. The material expansion of the 1950s and 1960s was begun by "the global military Keynesianism of the U.S. government" and carried out by America's transnational corporations (1994, 304).

Under Truman and successive presidential administrations, U.S. hegemony was underpinned by control over world money and military supremacy. During its hegemonic period (until the 1970s), the U.S. controlled world money through the Federal Reserve's relation with other central banks rather than through international institutions. Arrighi emphasizes that the international institutions and arrangement set up after WWII, such as the IMF, World Bank, and GATT, usually played supplemental roles. It was not until America's economic hegemony had begun to wane that these international institutions were given leading roles. In effect, trade liberalization followed on the heels of the economic expansion of the 1950s and 1960s – it did not lead it.

[52] NATO was a military alliance formed in the post-war period.

America restored the Westphalia system, but transformed it to shape its own national interests. After World War II, the U.S. government favored not free trade but "a strategy of bilateral and multilateral intergovernmental negotiation of trade liberalization, aimed primarily at opening up other states to US commodities and enterprise" (1994, 71). The U.S. government never feted free trade as the British had in the nineteenth century. In fact, the U.S. used trade liberalization as a 'weapon' and established "a trade regime that was far less 'generous' towards the rest of world than the British regime" (1994, 72).

Arrighi comments that the U.S. cycle of accumulation, as the largest, most complex and powerful to date, had "sufficient power to provide a wide range of subordinate and allied governments with effective protections and to make credible threats of economic strangulation or military annihilation towards unfriendly governments anywhere in the world" (1994, 218). This military supremacy paired with its economic supremacy was a powerful combination that kept the world open to Western capitalism as well as expanded the capitalist world-economy.

America's hegemony was reinforced by its monetary system and the dollar's position as world reserve currency. Unlike Britain's privately regulated gold standard, the Federal Reserve and the U.S. government exert tremendous power over the world economy. In the 1950s and 1960s, America led a massive expansion of the capitalist world-economy. A significant trend in this expansion was the important role of transnational (multinational) corporations, a trend that accelerated through the late twentieth century. Even though the U.S. government initiated the expansion of capitalism after WWII, the "transnational expansion of US corporate capital was both a critical means and a highly significant outcome of the US government's position of world power." In other words, U.S. multinational corporations were 'cornerstones' of American hegemony (1994, 305).

America's Scalar Imperialism under Expansion & Hegemony

Naturalizing the American Scale

The U.S. has its own internal imperialist history of scalar conquest and empire-building. While its consolidated territory did not rival Imperial Britain, the geography, relative isolation, and historical processes of making America positioned the U.S. to repeatedly benefit from systemic chaos in Europe. Building an American empire was internally related to systemic chaos in Europe in the early nineteenth century. Establishing American hegemony is internally related to systemic chaos in Europe in the early twentieth century. The U.S. is able to emerge out of the violent political, social, and economic clashes and re-establish the capitalist world-economy and mold it to American national and corporate interests.

In the intervening time period between America's internal coalescence and its external triumph, the American government-business complex carried out a series of internal cascading scalar fixes, from the hawkish Mexican-American War through the Civil War to the railroad and infrastructure building boom of the Second Industrial Revolution. The mantra of this expansionary nation-building period was economic prosperity and security. While this social production of America, both its scale and social relations, engendered vicious struggles, the outcome produced a country of enviable size, resources, and entrepreneurial activities. During the Gilded Age, an important part of this process was the transformation of small and medium sized businesses into vertically-integrated national corporations protected by the U.S. government. These large, wealth accumulating corporations could not have existed without America's one hundred odd year history of internal scalar imperialism.

By the time European imperialists clash in WWI, America had beaten Spain in the Spanish-American War and gained a small empire including Guam, the Philippines, and Puerto Rico (as well as special rights per the Platt Agreement in Cuba), and America's national corporations had gone global. America also had strong-armed its way to constructing the Panama Canal and enforcing the Monroe Doctrine on its southern neighbors along with participating in the 'Partition of Asia' under British hegemony. As the Western Front in Europe became an inferno, American troops were still riding around Mexico's Northern provinces searching for Poncho Villa. The American government under Wilson frowned on the unprincipled war in Europe, but American businesses were ready to profit from war. The historical scalar imperialism of the U.S. propelled it through WWI, with the U.S. emerging as a confident nation, a creditor nation, and with increased productive capacity.

America turned inward during the inter-war period, both in the boom of the 1920s and the bust of the 1930s, relying on its internal resources and population. The Great Depression changed many Americans' ideas about the role of government, and they elected FDR who offered an expanded role of government in regulating, and hopefully fixing, the deflated economy rife with long term high unemployment.

While the economic success of FDR's New Deal is questionable and WWII eventually overcame the barriers to American capitalism and Western capitalism in general, FDR strived to make finance capitalists heel to U.S. government power, instituting such reforms as the Glass-Steagall Act. Industrial capitalists also felt the long arm of the U.S. government in the 1930s under New Deal legislation, but WWII was an eye-opener for American corporate executives. It was an experience in which the U.S. government set them up as the rulers of a command economy. This system was phenomenally productive but also phenomenally dependent on government financial support (Chomsky 2002).

Naturalizing American Hegemony and Empire

At the same time as the U.S. secured the greatest benefit from repeated systemic chaos in Europe – de-facto hegemon status – FDR's subordination of finance capitalists to government was cemented at Bretton Woods. FDR's ambitious play for global power and manipulation of the world monetary system placed the U.S. government in control over global money and international credit. He made global financial networks obedient and subservient to the U.S. government, and he sought to use the U.S. government and American-based multinationals as the expanders and protectors of this new kind of empire. Truman inherited this new and radically different structure.

FDR and then Truman carry out these measures to restore stability and revive Western capitalism. The dominant thinking of FDR and Truman was that only the U.S. government could spend and stimulate the global economy enough to set the capitalist system back on the path of expansion (Arrighi 2005b). After two major wars, a global influenza pandemic, a deep depression, and the emergence of rival political ideologies, a stronger global force was needed to command and regulate the capitalist world-economy. Given the U.S.'s superior position in

1944 and 1945, the U.S. was the clear choice to carry out this task. The U.S. was set to benefit from leading this continued expansion of capitalism as well.

FDR founded the Pax Americana and Truman operationalized the Pax Americana using fear combined with militarism, capitalism, and industrialism. The Containment Theory, the Domino Theory, and the Truman Doctrine helped to justify and legitimize the Cold War spatio-temporal fix. Truman's administration restructured the U.S. into a national security state and used the Cold War spatio-temporal fix to ignite a very strong twenty year long expansion of the capitalist world-economy.

As Chomsky relates, the Cold War and American militarism "largely reflected domestic economic considerations." U.S. corporations had tremendous post-war productivity and needed export markets. A long term way to satisfy the needs of U.S. multinationals was to rely on rearmament and military spending around the world. Chomsky remarks that "military spending is our method of industrial management – it's our way of keeping the economy profitable for business" (2002, 39). That was the purpose of creating a national security state – the Pentagon – for the easement of a permanent war economy, and the Korean War (1950-1953) cemented the international (Western) acceptance of this permanent war economy. Even after the ambiguous military conclusions of the Korean War, Truman regarded the war as a success because it perpetuated domestic rearmament and garnered Western states' support for U.S.-led military interventions abroad.

The Cold War spatio-temporal fix comprised a long term 'recycling program' of both American taxpayer money and global liquidity through the Military-Industrial-Congressional

Complex (MICC). Volatility and fear over the Communist threat was manipulated to justify massive military spending and military interventions abroad, and, in effect, subsidize American multinationals. These massive infusions of public money for private gains focused mainly on military wants and needs (Chomsky 2002, 70-3).

There are two disturbing aspects of the Cold War spatio-temporal fix exercised by multiple presidential administrations from the late 1940s until the early 1990s. The first disturbing aspect is the acceptance at the very top level of the U.S. government that Western capitalism would not survive without massive public subsidies. The second disturbing aspect of the Cold War spatio-temporal fix is its reliance on persistent American militarism and economic empire.

The boom of the 1950s and 1960s relied on public subsidies of the private sector to keep the capitalist system running. Military Keynesian and the associated 'red scares,' arms race, space race, etc., were necessary for controlling the domestic population, for maintaining empire, and keeping corporate profits very reasonable (Chomsky 2002, 74-5). There was a nice cascading effect with the growth of the middle class and various industries, especially high technology, and these transformations fueled an important demographic shift and industry in America – suburbanization and the housing industry.

America's post-WWII scalar imperialism was monetary in origin and orchestrated at the top tier of the U.S. government. The superior position of the U.S. government over world money as well as its willingness to subsidize industry aided U.S. multinational corporations' successes. This mutually beneficial relationship is reminiscent of the relation between the

Spanish government and the Genoese diaspora merchant bankers. The mutual successes on each side of the relation inflated the power of the leading government and inflated the wealth and power of the leading capitalists. A similar process is at work through the 1950s and 1960s regarding the U.S. government and U.S. multinationals. The U.S. government, through its state and war-making capabilities, opened up spaces, secured spaces, and practically guaranteed profitability for U.S. multinationals. This process reinforced American hegemony and expanded the capitalist world-economy through these American-based multinational corporations.

Cold War Fixes, American Empire, and the Legacy of Western Colonization

An important aspect of America's scalar imperialism is its tribute and 'protection racket' and international interventions in the name of stopping the spread of communism, which was by and large unquestioned in NATO Europe and Japan. America's protection against communism was economically beneficial, because the U.S. helped re-make NATO Europe and Japan into important though subordinate parts of the new global economy and American-led military program of international interventions. It was in the rest of world that the U.S.'s Cold War spatio-temporal fix was a painful and disjointed process in which America endeavored to control the scaling of economic, political, and social relations.

The Cold War spatio-temporal fix encompassed a series of small yet brutal scalar fixes in which U.S. hegemony, militarism, and continued support of Western imperialism showed that this post-WWII world was not for the 'benefit and security of all.' Regardless of what FDR might have intended for the post-war world, the new world order still placed the core industrial Western nations (plus Japan) led by the U.S. at the center of the capitalist world-economy, in ideal positions to dominate, exploit, and profit from the rest of the non-western world.

When America became the de-facto hegemon in 1944 and 1945, it inherited a world of collapsing European empires. The U.S. government advocated de-colonization of territory, but it did not advocate the de-colonization of Western economic domination. America shored up and improved upon the economic structures and socio-political relationships and perpetuated hierarchical relations of Western dominance. In fact, the American government-business complex spent millions of its taxpayers' money to 'defend' places against their own inhabitants, perpetuating the old imperial prerogatives but in new ways and with new rhetoric (Chomsky 2002).

American newfound hegemony and hegemoney was clearly internally related to the old imperial regimes, and America was an integral part of struggle over space and scale in the developing world. The U.S. funded the Dutch 'defense' of its old colonial holdings in Indonesia as well as the French 'defense' of Indochina. The French became bogged down in guerilla warfare and eventually lost North Vietnam. Chomsky (2002) relays McGeorge Bundy's comments about the time period, such as the U.S. government's discussion on the use of nuclear weapons in 1954 to help the French 'defense' of Indochina.[53]

While the U.S. government opted to take a monetary role in the 'defense' of Indochina in the late 1940s through the 1950s, this role mushroomed into the Vietnam War (1964-1973) in which the American military machine defended against the spread of communism and a unified and independent Vietnam. This violent socio-political and military struggle over a small piece of Asia was a thorn in the side of the American Cold War spatio-temporal fix. Fighting in Vietnam was profitable for American multinationals but damaging to American hegemony,

[53] Bundy was Special Assistant to the President for National Security Affairs during the Vietnam War.

because it undermined a key pillar of American empire – the ability to visit military annihilation on the target. The U.S. did annihilate Vietnamese and Cambodian territory with massive bombing campaigns, but the Vietnamese people who supported unification and independence continued to fight despite the losses. Lack of public support for the U.S. campaign in Vietnam at home, in Europe, and in South Vietnam demonstrates the disconnect between the aspirations of the American government-business complex and the way the Cold War spatio-temporal fix was politically and socially legitimized to the American and South Vietnamese people. Vietnam brought to the surface the contradictory aspects of the relation among the American government, American capitalism, and American empire.

Chomsky relates that the primary concern and role of the new hegemon was to "prevent independence, regardless of the ideology." The non-Western world had to continue fulfilling its five-hundred year odd role as markets, sources of raw materials, and cheap labor for Western capitalism (2002, 64). Chomsky summarizes the way the U.S. government understands its hegemonic role:

> the main commitment of the United States, internationally in the Third World, must be to prevent the rise of nationalist regimes which are responsive to the pressures from the masses of the population for the improvement in low living standards and diversification of production; the reason is, we have to maintain a climate that is conducive to investment, and to ensure conditions which allow for adequate repatriation of profits to the West. (2002, 64)

This was the real 'domino theory' – that is, these countries might have successfully carried out economic and social programs that excluded Western capitalism, and if they succeeded, then the whole empire of Western capitalism along with American hegemony might fail (Chomsky 2002, 40-1). From the 1950s to the present, the reason why the American government-business complex intervenes and carries out 'regime change' and economic destabilization is because the interests of corporations – profits – conflict with interests and social needs of a country's population. 'Profits over People' is the standard credo of a capitalist government-business complex regardless of the historical context.

In the post-WWII era, the U.S. flexed its hegemonic muscle using secrecy and clandestine terror to keep strategic and even non-strategic spaces of the world open to Western capitalism. American capitalism especially needed to keep its historic sphere – Latin America – open for U.S. multinationals. During its hegemonic heyday, the U.S. covertly carried out coercive regime change and attempted regime change, such as regime change in Guatemala in 1954, attempted regime change in Cuba in the early 1960s, and regime change in Chile in 1973. These examples are highlights in the American government-business complex's history of maintaining American and Western political and economic dominance over Latin American territory and people. These activities were an aspect of America's scalar imperialism carried under the Cold War spatio-temporal fix.

In Guatemala and Chile, these countries' governments strived to take control of their own resources and national wealth as well as institute democratic reforms, but that would have undermined American and Western power in Latin America. Other Latin American countries, such as Costa Rica, might have also turned to democracy and instituted progressive social reforms. While Arbenz and Allende were ousted and brutal dictatorships installed, Castro successfully cut Western capitalists out of the Cuban economy. Cuba stands as a reminder that opposition to American and Western domination and exploitation is attainable, but it comes at a tremendous cost as Cuba has been punished with sanctions, embargos, the equivalent of political-economic outcast, and vilification in Western media.

Regime change was also successfully used to install a pro-Western business-friendly regime in oil-rich Iran. In 1953 Mohammed Mossadegh, the nationalist leader of Iran under a conservative parliamentary democracy, was targeted with a U.S.-engineered coup d'état. Mossadegh had been critical of past British and then American imperialistic activities in Iran, and he sought to break the Western corporate domination and exploitation of Iranian resources – oil – and he was ousted in a carefully crafted coup by the U.S. and Britain. Regime change in Iran was temporary as its population eventually rebelled against their authoritarian leader and ousted the shah in a revolution in 1979.

Nonetheless, U.S. success in Iran in the 1950s sent a strong message to developing nations, which a post-coup article in the New York Times nicely summarized: "Underdeveloped countries with rich resources now have an object lesson in the heavy cost that must be paid by one of their number who goes berserk with fanatical nationalism" (Quoted in Chomsky 2005, 44).

The U.S. government-business complex had to heavily mobilize its formal and clandestine war machine in the 1950s and 1960s to continue the domination of Western capitalism over non-western countries. While America inherited an empire of Western capitalism when it gained hegemony in the mid-1940s, the American government-business complex had to work hard to maintain that empire of hierarchies which shored up Western political, economic, and social domination.

The tacit role of hegemon, in this case the U.S., is to produce scale and control socio-political and economic relations in such a way as to maintain the unequal relationships on which the Western capitalist world-economy rests. The leading capitalists, in this case American and some European multinationals, benefit the most. In the late 1940s, 1950s, and 1960s, the U.S. government-business complex used its money power and the Cold War spatio-temporal fix to convince the non-Western world to continue to obediently acquiesce to the needs of Western capitalism, but there were a handful of renegades who tried to organize new kinds of states and societies. On the whole, most attempts to undo Western domination were coercively combated, and the U.S. successfully anchored another round of highly contentious political, economic, and social relationships for Western capitalist enterprise.

The weaknesses in American hegemony and its military machine were revealed in the Vietnam War, and it is the combination of stagnating American domestic capitalism, increased global competition and global liquidity, and rebellion in the non-western world against Western imperialism. These weaknesses in American hegemony and American capitalism initiated the American government-business complex's turn to financialization. Arrighi summarizes that "the interaction between the crisis of profitability and the crisis of hegemony, in combination with the US inflationary strategy of crisis management" created an untenable situation in which too-much U.S.-produced dollar liquidity could not be profitably absorbed in industrial production regardless of its Cold War subsidy program (2007, 159).

Reappearance of Financialization

America's economic empire of control, unquestioned in the late 1940s, 1950s and the early 1960s, encounters limits and barriers of the financial kind by the late 1960s. This economic empire is partly based on U.S. government control over global money vis-à-vis the U.S. dollar. The U.S. government's relation with capital was mutually beneficial in its hegemonic heyday, but takes a combative turn as capitalist production and financial markets become more competitive and outside of American control. Also, the U.S.'s economic problems are caught up in the quagmire of Vietnam and uncertain American hegemony.

In order to maintain its economic empire of control, the U.S. government-business complex turns to financialization as well as strives to secure the dollar's dominant place in world economic affairs. The U.S.'s historically unprecedented methods to maintain its economic empire of control, which require re-structuring national economies, financial industries, and the global economy, continue to uphold inequitable relations between the Western and non-Western world. A major aspect of America's scalar imperialism in its phase of financialization is the aspatiality of capital and capitalists, and this aspect both helps and hurts American hegemony, hegemoney, and empire.

Also, America's financialization occurs at the same time the U.S. continues to carry out more scalar fixes as part of the Cold War spatio-temporal fix for American and Western capitalism. From the late 1960s until the early 1990s, these two aspects of America's scalar imperialism both seek to maintain American hegemony and economic empire as well as push the engine of Western capitalism along a very particular and very financial path. America's leading finance capitalists are set to benefit from this new development in the American cycle of accumulation, and New York City and its banking houses cement their position as the ‘high altar’ of capitalism and entrepôt of mobile capital.

America’s Turn to Financialization

Arrighi states that all MC phases share the same profile – their “very unfolding resulted in a major intensification of competitive pressures on each and every governmental and business organization of the capitalist world-economy and in a consequent massive withdrawal of money capital from trade and production” (1994, 299). This process sets in motion a newfound prosperity that results from switching capitalist crisis from relations under expanded reproduction to relations under accumulation by dispossession through financialization. The switch to financialization is a predictable response to simultaneous hegemonic and profitability crises (Arrighi 2007, 161).

Arrighi pinpoints the U.S. switch to financialization around 1968 to 1973. In this period, the U.S. unilaterally abandoned the gold standard established at Bretton Woods in 1944, initiating a world-wide flexible but intrinsically volatile floating exchange rate arrangement. In the same period, the Eurodollar / Eurocurrency took off and for the next twenty years experienced tremendous growth. Also, the U.S. dollar became more tied to oil through loose and informal arrangements in which Middle Eastern oil states only accepted dollars as payment, and then would recycle their dollars back into the U.S. via Wall Street and Treasury debt (Phillips 2008).

Arrighi finds that these developments were part and parcel of the turn to financialization. Accumulated surplus capital held in offshore markets pressured governments to manipulate their currency exchange and interest rates to pull or push away liquidity. These fluctuating rates created a whole host of opportunities to make money by moving money around trading and speculating in currencies. Arrighi relates that by 1975, "the volume of purely monetary transactions carried out in offshore money markets already exceeded the values of world trade many times over," and by 1979 this kind of trading totaled $17.5 trillion (1994, 299). This trend of the liberalization of capital intensified through the 1980s, 1990s and 2000s until the 'global financial revolution' faltered in 2008.

America's Signal Crisis

In each systemic cycle, the hegemonic government-business complex leads the way into financialization. America's turn to financialization was borne out of the crises facing the American government-business complex in the early 1970s. By the early 1970s, the U.S. faces a resurgent financial rival – the Eurodollar / Eurocurrency market – and its reaction was to de-link the dollar from gold. Arrighi traces the emergence of these European currency markets to the Cold War. Communist countries deposited their dollars for use in trade with Western countries in Europe, not in the U.S., because they feared the U.S. government would freeze their assets.

Initially these deposits were small and also re-deposited by European banks in the U.S., however, this situation changed when European banks began holding the dollars themselves. New York banks entered into the Eurocurrency market, and by 1961 controlled 50 percent of this market, which initially posed little threat to U.S. interests (1994, 302). In fact, providing that the U.S. government had a largess of gold reserves and a current account surplus, the

Eurocurrency market supported the arrangement of the dollar as the world reserve currency, and thus the U.S. government's domestic and foreign policy agendas.

By the Kennedy administration, the contradictions in this arrangement began to show through. Arrighi explains that "Total US liabilities to 'foreigners – a non-negligible but unknown share of which no doubt consisted of dollar balances held by US corporations in foreign and offshore banks – was already beginning to exceed US gold reserves in the late 1950s'" (1994, 302). Kennedy tried to contain this situation with restraints on U.S. foreign investment and lending, except that his restrictions pushed foreign dollar loans outside of the U.S. into European banks and out of the purview of any government. By the late 1960s, finance capital had successfully escaped the restraints put on it by the U.S. government after WWII.

This situation was compounded by the decreasing competitive advantage of U.S. corporations and an increasing trade deficit by the early 1970s. U.S. multinational corporations had been phenomenally successful, just as the Dutch joint-stock chartered companies had been in their own heyday, and rivals modeled their own business organizations, lending activities (i.e. foreign direct investment), and governmental supports on the American model. Also, the collapse of European territorialism abroad and the opening up of these new states (and their valuable resources) to American capitalism as well as re-constructed European capitalism fueled inter-capitalist competition, especially for primary inputs in the developing world. The U.S. had successfully restored and expanded capitalism, but their successes also undermined American businesses in the global economy as European and Asian multinationals replicated

American success. By the 1970s, American multinationals were in the 'double squeeze' of intensified competition and higher labor costs (Arrighi 2007, 154).

Intensified inter-capitalist competition in the 1960s laid down three trends: (1) the extension of Western surplus capital (loans) to developing nations rich with primary products; (2) the 'pay explosion' of the 1970s during which real wages increased more rapidly than in the 1950s and 1960s material expansion; and (3) corporate consolidation, repeating the tendencies found in the late 1800s U.S. merger mania, and this time these new corporations had truly multinational business networks. Add to this mix the quagmire and impotence of the U.S. in Vietnam,   the oil shocks of the early 1970s, and the 1979 Iranian Revolution and the hostage crisis. In 1979 the boom in foreign direct investment busts, leaving developing nations heavily indebted at the same time as world commodity prices rapidly declined. America-led Western capitalist institutions, such as the IMF, capitalized on this economic crisis in the developing world through Structural Adjustment Programs that not only saddled these nations with more debt, but enforced trade liberalization policies that were highly beneficial for Western capitalist firms and highly detrimental to the economies and societies in the developing world.

The signal crises of the American regime of accumulation, the late 1960s and early 1970s, sent capital towards financialization as too much capital sought too little investments in commodities. Arrighi finds that by 1968 increased "injection of purchasing power in the world-economy, instead of resulting in the growth of world trade and production … resulted in world-wide cost inflation and in a massive flight of capital to offshore money markets" (1994, 305).

The U.S. government, with its Cold War military Keynesianism going full tilt, pushed this trend to its limits with lax monetary policies.

The Nixon administration's de-linking the dollar from gold was one way for the U.S. government to "reaffirm with a vengeance the centrality of Washington in the supply of world liquidity" (1994, 308). For about five years, this action did increase the U.S. government's control and unchained it from requiring a current account surplus, giving it a freer hand in domestic and foreign economic policies. On the other hand, this new arrangement of flexible exchange rates fostered market uncertainty for multinational corporations, who thus had to compensate and protect themselves against currency volatility by trading in currencies. This kind of trade proved to be extremely lucrative and became an industry in itself. World currency markets had jumped from daily trading of $17 billion in 1977 to an average $1.8 trillion a day in 2009 (Foster and Magdoff 2009, 56).

Arrighi concludes that the "supersession of fixed by flexible exchange rate was associated not with a containment but with an acceleration of the tendency of the governments of the most powerful capitalist states to lose control over the production and regulation of world money" (1994 312-3). He also states that declining U.S. power over world money vis-à-vis the liberalization of capital also weakened the central banks on which previous U.S. financial primacy had incorporated. The 1970s decade of increased inter-capitalist competition and inflation (because of Washington's loose monetary policies vis-à-vis corporate speculative activities in oil) signaled the closing of the material expansion of the world-economy and the opening phase of financial expansion under the control of 'suprastatal world financial markets.'

America's Belle Époque

The Reagan administration's monetarist counterrevolution signaled a change in U.S. tactics, which included a tightening of monetary policies, favoritism to finance capital, and an unsettling easiness with debt. The Reagan administration had to befriend and ally with high finance to insure its globally-dominant position. Arrighi relates that the Reagan administration's financialization policies were a conscious decision to forgo balancing trade and fiscally restraining the American economy. Instead, the administration opted for "alienating a growing share of its future incomes to foreign lenders" (2007, 138). As in all belle époques, these 'wonderful times' are never equally shared and the wealth generated in the 1980s is monopolized by the leading capitalist agencies, engendering the trend of increasing income polarization in a country historically famous for a large middle class.

The Reagan administration's strategy rested on five interrelated tactics: (1) contracting the money supply (e.g., the Volcker Shock); (2) competing for mobile capital by increasing interest rates (fostering deflation); (3) deregulation (including the banking industry); (4) excessive federal spending that incurred massive debt; and (5) escalating the Cold War vis-à-vis an arms race (i.e., the Strategic Defense Initiative). Not only did his strategy not return to Western reliance on developing countries' materials, this strategy re-centered the global financial economy on the U.S. and its Western allies. Reaganomics absorbed the huge amounts of liquidity in the global economy, added to the trade deficit, weakened the U.S.S.R., and dampened rebellion in the global South vis-à-vis a 'money drought' and massive debt burdens

(Arrighi 2007, 145-7). American enterprise was best positioned to take advantage of these changes.

In the 1980s, the U.S. government adopts the rhetoric of unregulated markets, an idea shunned by the Depression-era American government. In the aftermath of the crash of 1929 and FDR's election to the presidency, he drops the gold standard and quickly enacts banking legislation to weaken finance capital. The Great Depression afforded FDR the governmental strength and fortitude to tame finance capital. The Federal Deposit Insurance Corporation (FDIC) strived to assure depositors that their money was secure in banks regardless of liquidity or solvency issues. FDR's Glass-Steagall Act (1933) separated commercial banking from investment banking, dealing finance capitalists a heavy blow.

However, by the 1980s the U.S. government needs to befriend finance capitalists and deregulation is a peace offering. The deregulation of the banking industry precipitated the Savings and Loan Crisis (1984-1992) in which overly speculative activities in commercial and residential real estate eventually bust. The government stepped in with a $200 billion dollar (in 2009 dollars) bailout of mortgage lenders and banks.

Nouriel Roubini and Stephen Mihm (2010, 62-65)observed that from this experience, mortgage lenders and bankers re-thought their notion on holding loans. In the 1980s, these lenders and bankers would 'originate and hold' the loans, but in the property asset bubble called the Savings and Loan Crisis, they were left holding bad loans. They converted to a practice already in place but not widely used – the practice of 'originate and distribute' loans.

In the 1970s the Government National Mortgage Association (Ginnie Mae) used the practice of originating the loan, but then pooling mortgages and allowing investment banks to set up 'special purpose vehicle' to issue bonds on the basis of the pooled mortgages. These mortgage-backed securities are sold to investors, who would receive portions of revenue streams from mortgage payments. This practice spread the risk and allowed originators of loans to profit up-front as well as for investment banks to profit from issuing bonds. After the Savings and Loan Crisis, 'originate and distribute' became the favored method.

The culmination of Reaganite deregulation multiplied by the Savings and Loan Crisis was securitization, which has been the engine for further financialization and the life blood of America's leading financial capitalists' belle époque. Securitization transforms illiquid assets – forms of debt – into tradable liquid assets on the open market.

This kind of financialization that became dominant in the 1990s and 2000s rested on seven interrelated and mutually reinforcing developments: (1) low interest rates and 'cheap' money (under the guidance of the Federal Reserve); (2) greater deregulation in the banking sector (by Congress), the use of both fractional reserve banking[54] and a 'shadow banking system;' (3) primacy of the financial economy (i.e., the FIRE economy of finance, insurance and real estate); (4) securitization encompassing many forms of debt paired with new financial 'instruments;' (5) increased velocity of money; (6) neoliberal globalization (free trade agreements); and (7) bubble economics. The U.S. government has been entirely complicit in guiding and maintaining these developments that have supported a very fictitious and

[54] Fractional Reserve Banking allows financial institutions to keep only 10 percent of the money deposited, and loan out the remaining 90 percent. This kind of system works only as withdrawals are 'balanced' by deposits. In reality, this system is a form of money creation and allows banks to maintain tiny reserves.

dangerous form of wealth creation. By favoring financialization, the U.S. economy as well as the global economy has become much more turbulent.

The 1990s and 2000s are dominated by bubble economics and it is a form of wealth creation vis-à-vis price inflation through financial speculation generating capital gains. Bubble economics would be familiar to the Dutch (Tulip Mania, 1630s), the French (John Law's Mississippi Company, 1710s), the British (South Sea Company, 1710s; 1825 and 1837 financial busts) and a series of financial busts in Western capitalism in the nineteenth century (1857, 1873, 1893).

The U.S. government's support of bubble economics is nothing new and it not only pleased finance capitalists, but the government itself benefitted as it reaped taxation rewards. The government's cheap money, low rates, and securitization policies, which forced more people into the Wall Street casino and increased velocity, turned the financial economy into a tax racket for the U.S. government. The U.S. government clearly supported bubble economics, and at the same time instituted policies that indirectly punished the American people if they attempted to save their money rather than invest or spend it. From the 1980s to the current economic woes of American and Western capitalism, finance capitalists have ruled the day using bubble economics to continue very lucrative variations of M-M' approach to capital accumulation. By 2005 an estimated 40 percent of U.S. domestic profits came from high finance (Foster and Magdoff 2009, 54).

Asset bubbles are usually based on property (land and housing), new technologies, and equities; and according to Roubini and Mihm, asset bubbles go through a series of fairly obvious phases, which are depicted in Figure 6.1. During the first main economic boom phase, "the price of a particular asset rises far above its underlying fundamental value," and a key component of this process is excessive debt and excessive credit (2010, 17). The Federal Reserve's long term persistent policy of low rates and easy money along with its position as 'lender of last resort' fueled the leveraging, risk-taking, and profitability in American finance capitalism in the 1990s and 2000s (Foster and Magdoff 2008 and 2009).

Another key component of this process is financial innovation and changes in the structure of finance that aid a speculative mania. Deregulation as well as new regulations, such as the successful repeal of the Glass-Steagall Act and the passage of the Gramm-Leach-Bliley Financial Services Modernization Act in 1999 (FSMA) and Gramm-Luger Commodity Futures Modernization Act in 2000 (CFMA), freed up financial institutions from regulations.[55] These regulations (or rather non-regulations) paved the way for the primacy of financial conglomerates that did everything from commercial banking, investment banking, insurance, and securities. New financial instruments were also introduced that turned forms of debt into tradable assets, which were commercial pieces of paper that were rated, insured, and sold to investors around the world.[56] The commercial paper market boomed, circulating $250 trillion

[55] The successful repeal in 1999 removed the 'firewall' between commercial and investment banking, meaning that investment banks could behave like banks but not be regulated like banks. This repeal started in the era of 1980s banking deregulation as the Federal Reserve Board continually allowed commercial banks involvement in selling securities. The eventual demise of the Glass-Steagall Act came as Citigroup merged with Travelers, merging commercial, insurance, and investment banking under one company. The demise of FDR's act to limit corruption, financial manipulation and insider trading was paired with the Financial Services Modernization Act, which fostered a climate of merger mania among financial and insurance institutions. The Commodity Futures Modernization Act, which Roubini and Mihm note was never debated in Congress, excluded much of the derivatives market from regulation. By the 2000s, a part of the derivatives market – the credit default swaps – became highly lucrative and were valued at $60 trillion by 2008 (Roubini and Mihm 2010, 74-6).
[56] Asset-backed securities could be based on any form of debt, and then sold to investors using collaterized mortgage obligations (CMOs), collaterized debt obligations (CDOs), and collaterized loan obligations (CLOs). The CDOs were divided into tranches based on risk and sold to investors.

in 2005 and $600 trillion by 2008 (Foster and Magdoff 2009). Its leading capitalist agencies used a bonuses system to extravagantly reward their most successful risk takers, who leveraged their institutions at unheard of and dangerous debt to asset ratios.[57]

A third key component is much more psychological, or even religious, and it is the 'this time is different' belief that rests on the faith of forever upward increasing value of whatever asset is crucial to the bubble economy, whether technological innovation, land, houses, or really anything (Reinhart and Rogoff 2009). This faith-based form of economics increases moral hazard, because the 'irrational exuberance' prevailing during an asset bubble erases institutions, governments, and individuals uneasiness with debt. In the rising phase of an asset bubble, short term lending is crucial, but in the long term debt becomes pyramided to assets.

The second phase of a bubble economy is the tipping point when supply of the overblown asset surpasses demand, causing the 'this time is different' confidence to give way to panic and the contraction of easy credit. Roubini and Mihm remark that "a bubble needs leverage and easy money, and when those dry up, prices begin to fall and 'deleveraging' begins," and this initiates the bust of a bubble economy (2010, 19). In the U.S. case, the national government via the Treasury and the Federal Reserve step into the breach to perpetuate bubble economics. When the dot.com bubble of 1990s bust, financialization kept apace through the Fed's low rates and governmental deregulation, switching the bubble to the housing sector.

[57] Roubini and Mihm (2010, 69) report that the big five investment banks (Goldman Sachs, Morgan Stanley, Merrill Lynch, Lehman Brothers, and Bear Stearns) awarded $25 billion in bonuses in 2005, $36 billion in bonuses in 2006, and $38 billion in bonuses in 2007. Bonuses could be ten to twelve times greater than base pay. Also, in 2005 the top hedge fund managers averaged $363 million each. In 2007, the top five hedge fund managers made around $3 billion each. In 2006, hedge funds (in general) were worth an estimated $1.2 trillion. Leveraging ratios could be as high as 30:1 (Foster and Magdoff 2009).

In the bust phase, the value of the asset falls, and just as it rose well beyond its fundamental value, it will fall below its fundamental value in this phase. During this time, widespread panic ensues as financial institutions and investors attempt to sell off the toxic assets and recoup / payback loans, but now supply is abundant, fire sale sell-offs common, and massive devaluation occurs. Financial institutions pull back and become very risk adverse as fears of illiquidity and insolvency abound. Credit shrinks for businesses and consumers, causing defaults, bankruptcies, as well as unemployment, because private investment dries up. The meltdown can cause economic recessions or depressions depending on the contextual details in each asset bubble.

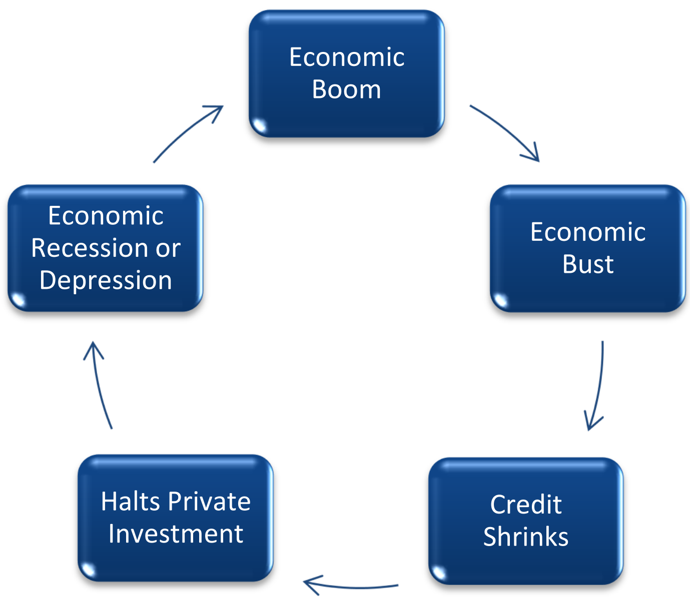

FIGURE 6.1: GENERALIZED CYCLE OF AN ASSET BUBBLE

In the 1990s, technology, media, and telecommunications were the foundation for an asset bubble led by America. The dot.com bubble of the 1990s was a period of growth and expansion given the new telecommunications technologies that created opportunities for economic growth and infrastructure development. The asset bubble that ensued did grow America's GDP by one-third, but this dynamic boom was predicated on easy money and the over-inflation of equity values, which helped the telecomm companies borrow more easy money. Alan Greenspan, then chairman of the Federal Reserve, oversaw and approved of this 'virtuous cycle.'

The 'wealth effect' of rising equity prices soon came to a head as these values were over and above the profitability of many of these companies. The outcome was oversupply in the telecomm sector and a falling rate of profit, but these companies' share prices continued to rise because of the speculative frenzy. This system bust in late 1990s, following the cycle described by Roubini and Mihm, and the pervasive corruption and insider cash out before the crash left many ordinary investors empty-handed.

Unlike the S & L crisis of the late 1980s, in which 1,600 banks went belly up, the bursting of the dot.com internet bubble did not cause a banking crisis precisely because investors, not bank loans, funded the bubble. A relatively short recession followed, in which massive purging in the telecommunications and related sectors shed companies and jobs, yet instability in the market followed in the early 2000s with financial panics, but the Federal Reserve continued to pursue a policy of easy money to shore up the economy. The goal of colossal financialization was already in motion, and the next bubble was based on predation, fraud, and thievery and the benefits were monopolized at the very top of the American government-business complex.

Finance capitalism continued to dominate the American economy in the 2000s, as its financial institutions and their managers ingeniously sliced, diced, repackaged, rated, insured, and sold to the rest of world what America produced the most of by the mid-2000s – debt.[58] Figure 6.2 illustrates the rising debt relative to GDP and figure 6.3 illustrates the dramatic jump in financial business debt. The commercial paper market became the temporary solution to America's economic woes, and it drove an unprecedented expansion in the financial services sector of the economy. Kevin Philips (2008)relates that by 2008 financial services made up the largest sector of the U.S. economy at around 21 percent of GDP.

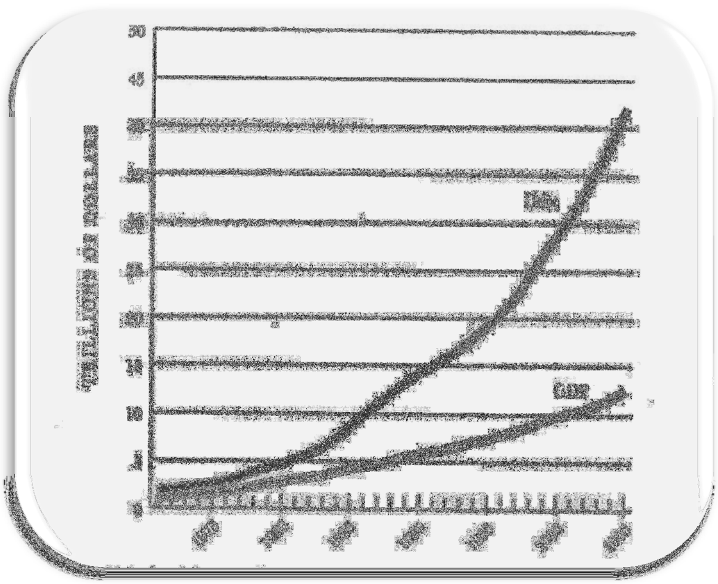

FIGURE 6.2: GDP and TOTAL DEBT (Source: Foster and Magdoff 2009, 46)

[58] Forms of debt that were used ranged from mortgages, auto loans, student loans, credit card debt, and even revenue streams from "airplane leases, revenues from forests and mines, delinquent tax liens, radio tower revenues, boat loans, state and local government revenues, and even the royalties of rock bands" (Roubini and Mihm 2010, 33 and 63).

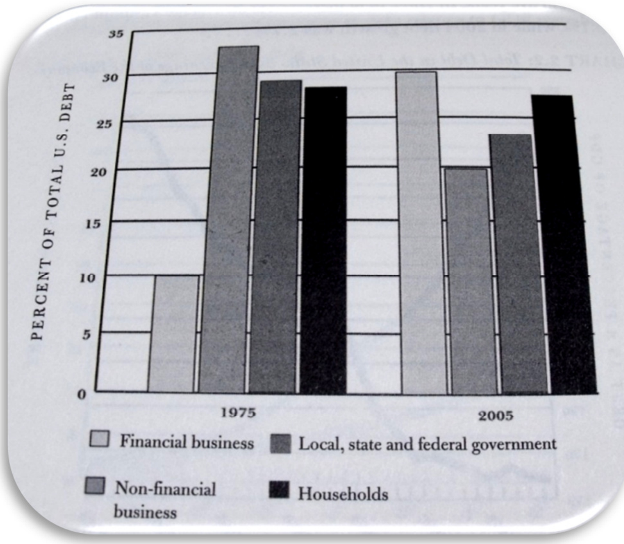

FIGURE 6.3: COMPOSITION OF US DEBT IN 1975 AND 2005 (Source: Foster and Magdoff 2009, 48)

This boom relied on a speculative mania, mainly in housing and real estate, in which the 'this time is different' ideology overrode rational thinking about the fundamental values of homes and land versus perceived values and fictional values. This feverish mania relied on credit, easy money, and over-leveraging, and the Federal Reserve abetted this expansion with low rates; and when the Fed slightly raised rates, foreign sources of funding, who had plenty of accumulated surpluses, filled the void.

The government supported this bubble economy in housing and excessive lending, because it was the basis for the highly profitable commercial paper market. Roubini and Mihm explain the ways in which federal and state agencies supported this asset bubble:

> regulators actively encouraged the financial innovations that would become the catalysts for the crisis: interest-only mortgages, negative amortization loans, teaser rates, and option adjustable-rate mortgages, along with the increasingly esoteric securities that derived their value from the toxic assets. (Roubini and Mihm 2010, 32)

Securitization helped loan originators and investment banks make profits up front via fees, while the risk inherent in these loans was passed to the investor. The riskier loans, such as the sub-prime and 'ninja' loans, were sliced and diced along with other debt and the ways to assess risk in the original loans and the resulting credit derivatives became immeasurable.

The goal of this asset bubble was to generate loans to transform into financial instruments and sell on Wall Street. The vitality of Wall Street and American finance capital was the primary goal. The creditworthiness of loan applicants and their capabilities to service loans became negligible to the government-business complex. In this whole process, ordinary Americans became a cohesive group to be exploited by the commercial paper market capitalists.[59]

They were already embedded in the logic of Wall Street, in which money begets more money (M-M'). Philips remarks that the twenty-first century financial conglomerates were akin to "digital buccaneers" reminiscent of seventeenth century privateers in their search for ways to dispossess and capture more capital (2008, 6). These financial institutions and their governmental agents targeted the housing sector in America and around the world as a way to prolong the dominance of finance capital and with it American hegemony, all the while extracting surplus capital while loading others with worthless junk paper and debt. In the process, bankers were able to transform illiquid assets – forms of debt – into liquid assets.

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[59]Some Americans were in search of first-time home ownership. Others were looking for ways to bolster their standard living and consumption vis-à-vis withdrawing equity from their homes by refinancing. While others adopted the prevailing assumptions and treated real estate as an investment that would always go up in value, so they speculated in the housing market. All of these diverse motivations aided the all-important construction and related industries of the 'housing sector'. The boom in this sector was also meant to shore up consumer consumption.

These new liquid assets created a boon in profitability, allowing financial institutions to use this surplus capital to acquire assets in the real economy.

The massive debt pyramid built on the financialization of the 1980s and peaking in the mid-2000s housing bubble was not without its critics. Financial insiders like Warren Buffet described the asset-backed securities of collaterized debt obligations as 'weapons of mass destruction,' because these financial innovations encouraged gambling and credit expansion (Phillips 2008, 4). CDOs were toxic and widespread, and the generally massive credit expansion of the 2000s was the main cause for alarm. By 2006 credit market debt totaled $43 trillion (Philips 2008, 5). Roubini and Mihm relate the warning offered by Wall Streeter James Grant, who in 2005 stated that Greenspan and the Fed "helped create one of 'the greatest of all credit bubbles' in the history of finance" (2010, 3). Most warnings went unheeded, because the 'this time is different' ideology was dominant and the government-business complex supported the asset bubble to its bitter end and even afterwards with life support infusions of liquidity.

Foster and Magdoff summarize five major ways in which this phase of financialization and its reliance on debt and speculation is a continuation of capitalists' domination and exploitation by:

> (a) extending more and more loans to the general public and corporations; (b)lending to low-income people under very unfavorable and hard to understand terms; (c) adding debt to corporations through leveraged buy-outs (making the companies more financially fragile and demanding cutbacks in jobs, wages, and benefits to compensate); (d) unbalancing trade with the rest of world, requiring enormous sums of money to be invested in the U.S. from abroad; and (e) placing huge bets on almost anything imaginable. (Foster and Magdoff 20009, 61)

They argue that the primacy of monopoly-finance capital and its hunger for easy money in the 2000s created an "accumulation of misery" for working Americans and, of course, a concomitant accumulation of wealth for finance capitalists (2009, 74).

This housing / commercial paper bubble began to deflate in 2006. Throughout 2006 sub-prime borrowers began to default, and the financial services sector hemorrhaged around $96 billion. By 2007 the defaults on loans had escalated, causing a major kink in the whole system of 'originate and distribute' loans as the revenue streams for these supposedly rated and insured investments disappeared. Mortgage lenders defaulted to the tune of 150 from December 2006 to September 2007. In 2007 credit evaporated as financial institutions pulled back as their commercial paper based on debt plunged in value. The opacity, secrecy, and complexity of these financial institutions and their instruments increased market uncertainty, causing a credit contraction and drought in private investment.

The investment boom in debt collapsed by the autumn of 2008 as deleveraging, devaluation, defaults, and debt deflation engulfed Wall Street, Main Street, and spread into money markets around the world. Both the Federal Reserve, now under the chairmanship of investment banker Ben Bernanke, and the Treasury, guided by former Goldman Sachs banker Henry Paulson, set into motion an unprecedented 'lender of the last resort' bailout, which included direct cash infusions (such as the $180 billion to American Insurance Group to repay investment banks 100 percent on the dollar), expanding the money supply, low rates, back-stopping failed financial institutions, the $700 billion Troubled Asset Relief Program, tax code changes to favor a post-bubble banking merger mania, and much more in the favor of the government's partners in financialization (See Phillips 2008; Roubini and Mihm 2010; Foster and Magdoff 2009; and Janszen 2010).

This asset bubble, which entwined America's housing sector with financial machinations on Wall Street, again, followed a well known path. The new elements in this process are: (a) the unprecendted measures taken by the Treasury and the Fed to revive and restore a failed economic model and failed economic system and (b) the globalized nature of financial networks and the high technology capability involved in money markets that spread toxic 'assets' around the world.

Financialization in its most recent guise under American hegemony has wrecked havoc on the American real economy and de-stabilized the world economy. The bust of America's latest asset bubble caused increasing forclosures, defaults and bankruptcy, higher unemplyment as well as exacerbated the trend of rising income inequality (Foster and Magdoff 2009). This financial collapse adds to the challenges already posed by the triad of sluggish growth in the real economy, unsustainable debt levels (including the trade deficit), and the deindustrialization of the U.S. economy.

The American consumer is tapped out, leveraged to the fullest extent, and will not be able to endure another credit expansion or asset bubble envisioned by the Federal Reserve, the Treasury, and its partners on Wall Street. The 'colonization of the American population' is complete (Chomsky 2002). One of the most important economic sectors – the housing sector – was manipulated and purposefully ballooned to extract more capital and when it bust, the U.S. government did not step into the breach for the American people but for bankers. Since the

1980s, the economy has been heavily skewed in favor of the banking elite, and the government bailout (in all its forms) of excessive risk-taking, leveraging, and financial manipulation illustrates that the U.S. govenrment shares a much closer relation with business than its domestic population.

The bust in American capitalism has been acutely experienced by European countries heavily linked in to global financial services and investment banking as well as those countries that carried out their own variation on wealth creation from real estate appreciation. Overall, Western capitalism was dealt a major blow by the crumbling of the American debt pyramid. In all phases of financial expansion, the previous limits to accumulation are overcome but this temporary success creates even greater limits and barriers for continued capital accumulation under the dominant regime of accumulation. These renewed limits and barriers have been most acutely felt in Western capitalist countries plus Japan, because they make up the core subordinate states under U.S. hegemony.

Anomalies

While foreign central banks and foreign investors, who plowed their surpluses into the American debt pyramid, had various motivations for floating the bloated American economy, they played an important role in funding America's addiction to debt. Roubini and Mihm discuss how foreign capital from Asia played an important role in floating the American debt pyramid. They state that "In effect, China lent Americans the rope they used to hang themselves" (2010, 34). Japan and China have lent the U.S. capital vis-à-vis the sopping up of an estimated one trillion of U.S. Treasury bills, notes, and bonds (Foster and Magdoff 2009, 52). Figure 5.2 illustrates the main contributors in 2008. While Japan is a tributary state (or client state) to American hegemony, China is not. As of early 2010, China held $877.5 billion dollars of U.S. debt.[60]

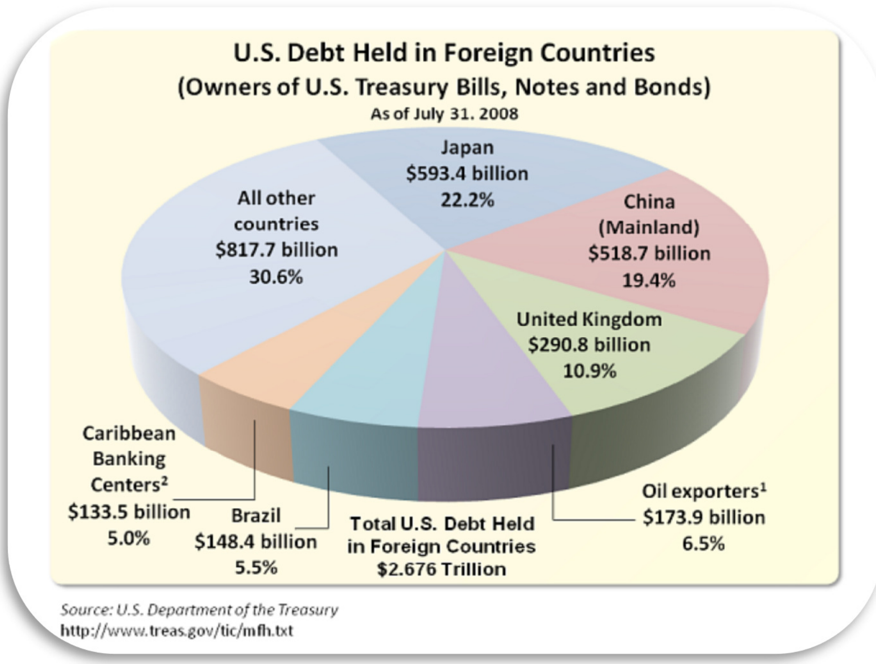

FIGURE 6.4: U.S. DEBT PIE

Usually in phases of discontinuity, a main transition mechanism is the flow of surplus capital from the 'old' center to the 'new' center. In the American phase of discontinuity, the U.S. is borrowing capital rather than lending capital, and according to Arrighi (2005b) the U.S. borrows about $2 billion dollars daily from foreigners (central banks). In the past, Venice loaned the Dutch money, the Dutch loaned the English money, and the English loaned the Americans money in their phases of material expansion. The Americans are not loaning money,

[60] These debt load figures are based on April 2010 reports of countries, such as India and China, shedding their U.S. debt load. See harebell.wordpress.com and economictimes.indiatimes.com.

but borrowing vast sums of money. Arrighi suggests that this anomaly "first signals a blockage in the mechanisms that, in the past, facilitated the absorption of surplus capital in spatial fixes of increasing scale and scope." A second element of this situation is the U.S. increased reliance on accumulation by dispossession vis-à-vis financialization (2005b, 47).

These blockages stem from a series of interrelated factors, all of which relate to the increasing debt load of America. The first goes back to the de-facto dollar standard initiated under the Nixon administration in the early 1970s. Eric Janszen explains that "Demand for dollars that is in no way connected to the U.S. economy or its monetary or fiscal policy means that the exchange rate value of the dollar is artificially inflated" (2010, 36). This inflation carries serious outcomes for prices, but for the most part this 'dollar cartel' benefitted the U.S. and the West (plus Japan) by artificially cheapening a product, such as oil, by inflating dollars. This system initiated a steady influx of foreign capital into the U.S. economy. Also, the dollar cartel made the American ability to balance this influx of foreign investment and goods negligible.

David Graeber (2011) relates the U.S. dollar as the world's reserve currency is a form of tribute in the most historical sense of a tribute empire. In this case, foreign central banks recycle their dollars back through the U.S. Treasury, but the bonds issued will never truly mature and thus never be paid. In effect, these loans will forever rollover; giving the U.S. a "free financial ride, a tax imposed at the entire globe's expense" (Michael Hudson quoted in Graeber 2011, 366).

The dollar cartel, the Fed's easy money policies and support of asset bubbles, and policies such as the Reverse Plaza Accord (1995) helped push leveraging and consumerism beyond their fundamental limits by the late 1990s.[61] The dollar cartel is a spatio-temporal fix for American capitalist crises, because the Treasury's printing presses and the Fed's use of extremely low rates creates almost limitless leverage.

The dollar cartel is unique in capitalist history. In the history of Western capitalism, fiat currency as the world reserve currency is an anomaly. An important part of this system is the use of U.S. Treasury bonds to back the dollar, which created debt liability for the United States government. The very valid fear of foreign holders of Treasury bonds, bills, and notes was that the U.S. would abuse it currency privileges (called seigniorage), cause inflation, and devalue the dollars owed to them. This was a valid fear in the early 1970s and it continues to be one today given the quantitative easing programs initiated by the U.S. government since the financial collapse in 2008.

The second factor relates to China's national economic interests and the U.S. role as 'market of last resort' by the 2000s. Southeast Asia and China in particular have relied on export-oriented growth and it has supported the dollar via the Treasury to push its own economic growth. The national interest of China, that is, economic growth, was tied to the continued consumption of 'made in china' goods in America, and thus the mushroomed American trade deficit. In this sense, the Chinese did lend the proverbial rope to the American consumer. Additionally, U.S.-based multinationals have abetted this rope-lending process by

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[61] The Plaza Accord of 1985 was the agreement among the G5 to decrease the dollar exchange rate, giving a protectionist boost to American manufacturing. By 1995, a reversal of this policy flooded American money markets with overseas capital, aiding the dot.com bubble.

acting as the 'middle persons of trade' between the U.S. consumer market and the highly competitive East Asian producers, who have opted for economies of flexible specialization. This mutually profitable engagement was tied to the U.S. role as global financial entrepôt and the dollar cartel.

A third factor is the culmination of the first two factors, and it addresses the historic mismatch between the makers and funders of American debt. Since the mid-1940s, the U.S. government-business complex has strived to use its currency as a means in inter-capitalist and inter-state struggles (Arrighi 2007, 119). Arrighi notes that the reflation of the U.S. government-business complex's wealth and power since the 1980s through financialization has relied on credit furnished by foreign investors and foreign nations (2007, 164).

The economic rebirth of Asia by the mid-twentieth century and the revolt by non-western developing countries against Western economic and political domination by the 1970s – the twin crisis of profitability and hegemony – have pushed the U.S. government-business complex to utilize the inflowing foreign funds for purposes much more akin to nineteenth century imperial endeavors. In the period of solid American hegemony and hegemoney, the U.S. government-business complex could comfortably pursue imperialistic activities that were beneficial to Western capitalism in general, although the greatest benefits did accrue to American-based multinationals, because the funders and makers of American debt shared common goals.

By the late 1990s and 2000s, the supporters / donors of the American debt pyramid and its warfare-welfare state are in some cases, like China, economic and political rivals. The

American government, its financial sector, and American consumers are intricately tied to their largest funder of American debt, which is China, but also to the other donor nations as well. Out of all the major donor nations, China is not a tributary or client state and it has strong economic growth with the potential for greater material expansion. The U.S. and China are hamstrung in a temporarily mutually-dependent but distasteful relationship. The major problem arises when the U.S. uses its heavily subsidized military machine in operations that seek to undermine the economic viability of China and other funders of American debt. This problem has been exacerbated by the post-9/11 U.S. conflicts in the Middle East and Asia.

The culmination of these three factors is the blockage in the shifting mechanisms that would decrease the U.S. government-business complex's world power and wealth, by pulling surpluses out of the U.S. and into nations with material expansions. American-based multinational's foreign investment is fairly strong, but it has not dented the inflow of foreign funds that shore up the American dollar and market every day.

Arrighi relates David Calleo's observation that "declining powers, rather than adjusting and accommodating, try to cement their slipping hegemony into exploitative domination" (Arrighi 2007, 164). The ways in which the U.S. is trying to cement its deteriorating hegemony are (1) through more territorial imperialistic warfare; (2) manipulating its economic empire vis-à-vis the dollar cartel; and (3) using its historically unprecedented rates of indebtedness to other nations as a weapon.

American Scalar Imperialism under Financialization

The 1980s to mid-1990s

Economic and military capabilities are the American language of global empire, power, and wealth, and under financialization the American government-business complex circa the 1980s is able to deepen its control over the scaling of political, economic, and social relations in the periphery. America's scalar imperialism under financialization of the 1980s and early 1990s is internally related to its solutions to crises in American capitalism. Crises are endemic to capitalism – they are "hardwired into the capitalist genome" (Roubini and Mihm 2010, 4). These solutions produce another series of struggles and conflicts in the developing world, and the U.S.'s role is to control economic structures and socio-political relations in order to expand and deepen the scale of American hegemony and American-led Western capitalism. The American military is often deployed to wring obedience and subservience from would-be renegade countries.

By the 1980s, financialization and limited military intervention against only weak nations, such Granada, El Salvador, Nicaragua, and Libya, became the favored strategy to uphold American hegemony and military credibility. The globalization process under neoliberal economics emergent in the 1980s and dominant by the early 1990s, what Harvey and Smith identify as uneven geographical development, is fundamentally based on continued Western imperialistic domination of the non-western world.

Foster and Magdoff (2009) see a strong relation between greater stagnation in American capitalism at home and greater imperialism abroad. American militarism and imperial aggression, as usual, were tied to domestic considerations. Foster and Magdoff find that "Neoliberal globalization is the most recent manifestation of imperialism" and capitalists used U.S. hegemony "to make it easier to exploit the world's resources and people" and create financial dependence (2009, 41).

After the debacle of Vietnam and the hostage crisis in the Iranian Revolution, the U.S. government shied away from direct military involvement in strategic regions for fear of failure and domestic backlash. The 1980s were characterized by proxy conflicts, such as U.S. funding the Mujahedeen zealots to counter the Russians in Afghanistan as well as heavily tilting the Iran-Iraq War towards Iraq. Proxy conflicts like Afghanistan were based on the construction of U.S.-backed clandestine networks linked to radical terrorist groups, and the seedbed for al-Qaeda and the Taliban are these U.S.-backed clandestine operations in Asia in the 1980s (Chomsky 2005, 107).

The U.S. government also sought to shore up their clandestine activities in emergent strategic regions with formal military structures. The Carter Doctrine (1980) not only identified Middle Eastern oil as a national security priority, it also laid the foundation for the creation of Central Command under the Reagan administration in the 1980s. U.S. Central Command coordinates U.S. military operations in the Middle East, Northeastern Africa, the Caspian Sea Basin, and Southwest Asia. Its principle mandate is energy security, and U.S. Central Command plays an important role in the 1990s.

Chomsky (2002) highlights that the U.S. carried out a historically unprecedented construction of a network of terrorist mercenary states in the 1980s, and mobilized these networks to undermine other sovereign nations. He notes a strong correlation between the Reagan period and the increase in clandestine terror activities. The link between increased clandestine terror activities and financialization would also prove to have a strong relation, as these networks required funding and the great American Cold War recycling program was still in effect.

There were multiple Latin American battlegrounds for American empire. El Salvador is a fairly clear-cut case of U.S. military support for an authoritarian but business-friendly regime. An estimated seventy thousand people died in El Salvador in the U.S.-back violence of the 1980s (Chomsky 2005, 92). Nicaragua became tied up in the Reagan administration's clandestine network-building activities in Asia, but it is also a case of American regime change in favor of a pro-Western but repressive government. The C.I.A. stronghold based in neighboring pro-Western Honduras was the nerve center that organized and carried out regime changes in Latin America (Chomsky 2005). The Reagan administration's operations in Latin America killed an estimated two hundred thousand civilians (Chomsky 2005 94).

The goal in cases like El Salvador and Nicaragua is to keep the right people in power, i.e., the people who prize business interests over human interests (Chomsky 2002). While this is a bloody and violent process, the U.S. government has historically supported and allied with authoritarian regimes all over the world, from Egypt and Saudi Arabia to Chile and apartheid South Africa, because authoritarian regimes are much more efficient supporters of U.S. hegemony and Western capitalist interests. Territories and populations cannot be fully exploited and dominated if their governments and populations challenge the hegemonic empire.

Latin American countries are also good examples of U.S. capabilities in spinning disinformation and targeting weak nations in order to show superior American military force and credibility. Claims were made that these nations threatened U.S. security (for different reasons), and thus military interventions were necessary. Chomsky relates that Reagan actually declared a state of emergency in the U.S., because Nicaragua "posed 'an unusual and extraordinary threat to the national security and foreign policy of the United States'" (Reagan quoted in Chomsky 2005, 96-7). The U.S. invasion of Granada was based on the notion that it would become a "Soviet-Cuban beachhead because some Cuban contractors, under British planning and authorization, were building an airfield" (Chomsky 2005 96). The main target in Granada was, in reality, Cuba. Granada also was an opportunity to assert U.S. credibility after a bombing in Lebanon killed 240 marines (Chomsky 2005, 97). There are differences between the cases, such as Nicaragua's Sandinista government under attack by the U.S.-back Contras and then a country like Libya with a renegade dictator, but all of these countries had little defensive capability against overwhelming U.S. clandestine and high-tech military force.

The point of these activities is a show of superior force and maintenance of American-dominated hierarchical inter-state relationships. After the bombing of Tripoli, the West German news outlet *Der Spiegel*, ran a cover depicting Reagan with missiles zooming over his head with the caption 'Terror against Terror.' Chomsky (2002, 80) explains that this was a Gestapo slogan used against anti-Nazi resistance fighters. There is the realization, at least at

Der Spiegel, that the U.S. military machine serves very specific purposes. The 1989 invasion of Panama, which killed an estimated three thousand civilians according to Panamanian sources, was initiated to capture Manuel Noriega, who had previously worked intimately with the U.S. Central Intelligence Agency in Latin America. The Panama case is illustrative of this 'terror against terror.' The use of Mujahedeen terrorists inside of the U.S.S.R. in the 1980s, under the ideology to protect Muslim lands from the Russian infidels, is also a good example of 'terror against terror' (Chomsky 2005, 108).

The U.S. government-business complex gained an ideal occasion to exert more of its military machine and regain some military credibility when Iraq invaded Kuwait in 1990. The Bush administration's Desert Storm (the First Iraq War) operation directly engaged Iraq, although Iraq was weak due to a decade of warfare, and the U.S. easily overpowered Iraqi forces with its high tech military capabilities. This short 'war' was a good litmus test for America's hegemonic power. Kuwait showed that the U.S. could muster its donors to support direct U.S. military intervention in the Middle East. The Kuwait war was heavily supported by U.S. client states, who contributed $54 billion dollars to the war effort while the U.S. only contributed $7 billion (Arrighi 2005b, 112).

U.S. support and military aid to Hussein in the 1980s was all but forgotten, but Kuwait is a harbinger of things to come as U.S. clients will have to ante up for protection against dangers made by previous American interventions abroad. While the Bush administration opted to not carry our regime change in Iraq at the time, it did begin an intensification of embargoes against Iraq and an increased American military and civilian (defense contractors) presence in Saudi

Arabia. The guise was to police the no-fly zone in southern Iraq (Operation Southern Watch), and this operation lasted through the 1990s until 2001. The increasing presence of the American military and its contractors in the Middle East and especially Saudi Arabia, a friendly ally of the U.S., engendered the development of anti-American sentiment. This anti-American and anti-Western movement was coming out of radical Islamist terrorist groups that had taken part in Reagan-era clandestine terror networks against the Soviets in Afghanistan.

The dissolution of the Soviet Union in the early 1990s changed the dynamic of the American ‘protection racket,’ because the great American Cold War recycling program lost its ideological basis. Also, the limits and barriers crushing American capitalism at home raised the protection costs for America’s tributary states, but now the enemy was less defined. With the Soviets out of the picture, the Clinton administration switched to ‘humanitarian’ missions.

Arrighi argues that these sorts of missions “worked on the general fear of the irreparable damage that US policies could inflict on the rest of the world” (Arrighi 2005b, 113). The U.S. humanitarian missions of the 1990s were a failed intervention in Somalia (1993), a restoration of Haiti’s corrupt president after a military coup (1994), the bombing and political fragmentation of Yugoslavia along with regime change in Serbia and the carving off of Kosovo (1995-2000), bombing Afghanistan and Sudan (1998), and air strikes in Iraq (1998). While each of these missions has an official story that justified U.S. involvement per the humanitarian and security interests of America, the bottom line of these incidents is that they all were bound up in America’s economic stagnation and the government-business complex’s desire to maintain its global economic and political dominance.

The late 1980s and early 1990s was a wakeup call for American imperialists, because the world and its strategic regions were slipping away from their grasp. There are a few key transformations that take place between the dissolution of the Soviets as the Evil Empire and the strategic focus on Eastern Europe and the post-Soviet spaces of Asia. These transformations stem from domestic political and economic changes in America.

In the 1980s the American government-business complex had charted a financialization course into the near future, but the regulations from previous eras were dampening profitability by the early 1990s. Deregulation of the 1980s triumphs with regulations that do not regulate, such as the FSMA and CFMA. These non-regulations are passed in 1999 and 2000 because the investment banking community laid the proper foundation in Congress. Chomsky (2002, 393) relates that in the mid-1990s as the Newt Gingrich-era Republicans flooded into Congress, hedge funds came with them as these non-bank banks helped to fund the Republican resurgence. In the early 1990s, hedge funds were on the fringe of financial services, and only with the help of Congressional legislation and greater non-regulation were hedge funds able to rise to the pinnacle of the financial economy and multi-billion dollar success by 2005.

The fairy tale economy of the late 1990s and 2000s, which relied on asset inflation and a powerful state to organize the bankers' class interests, contributed to an even closer relationship between financialization and imperialism than previously seen in the 1980s. The architects of the new American imperialism, neoconservative Republicans, had very close ties to Wall Street investment conglomerates. They helped each other seize power and then carried out mutually beneficial arrangements. Initially lacking an ideological basis, the increasing interventions of the U.S. for democracy or peace or humanitarian missions refined the old Cold War recycling program into a new and improved recycling program that maintained primacy to the military and added Wall Street.

The intensification of U.S. intervention in Eastern Europe, Asia, and the Middle East from 1995 through the 2000s comes from these seismic shifts in the domestic economic and political sphere. While the U.S. switches geographic focus and updates its official rhetoric and methods, American scalar imperialism continually sought to produce and re-produce the American power, wealth, and empire by aggressively competing in the re-scaling of political, economic, and social relations in strategic regions.

American Scalar Imperialism since the mid-1990s to early 2000s

America's scalar imperialism by the mid-1990s has taken a clear turn towards a more overt use of the American military and very public military interventions. Since the mid-1990s, U.S. foreign policy actively and deeply engages states in Eastern Europe, Central / South Asia, and the Middle East. In Eastern Europe, the breakup of Yugoslavia in the mid to late 1990s is often used to illustrate Western utilization of Non-Governmental Organizations (NGOs), the media (for disinformation and manufacturing consent), and covert and overt military operations culminating in regime change. U.S. and NATO involvement in the ousting of Slobodan Milosevic from power in Yugoslavia in a war in 1999 and coup d'état in Belgrade, Serbia on October 5th 2000 utilized a range of regime change tools (Laughland 2009 and Chomsky 2005).

Yugoslavia is a good example of Western abilities to re-make political, economic, and social relations, and thus scale. While Yugoslavia was a communist country, its relations with the Soviets had deteriorated long before the Cold War even heated up, but it stayed peripheral to Western capitalism until the 1990s. The breakup of Yugoslavia is a significant example of the fragmentation of scale for the narrow interests of the American government-business complex and its system of subordinate states.

This fragmentation was carried out under the guise of an American-led humanitarian mission sanctioned by the United Nations and aided by NATO.[62] The main goal of fragmenting states is to create manageable, governable pieces that are acquiescent to American hegemony and the interests of Western capitalism. In the case of Yugoslavia, both fragmentation and regime change were necessary methods to re-make states, install pro-Western rulers, and bring these countries more firmly into the sphere of Western domination. Even in seemingly inconsequential pieces of an empire, such as Haiti or Serbia in the U.S. case, imperial control is fundamental to long term survival of the empire.

Revolutions and coup d'états swept across the post-Soviet spaces of Eastern Europe and Central Asia from the mid-1990s through the 2000s. Some of these 'revolutions' produced new regimes in which the ascendant leader had pro-NATO and pro-U.S. politics. The following states experienced a rebellious regime change: Albania (1997), Slovakia (1998), Georgia (2003), Ukraine (2004), and Kyrgyzstan (2005). While the U.S. government formally does not acknowledge any role in these regime changes, other U.S. government foreign policy officials at various levels relay of their involvement using their foreign policy activities, typically through

[62] Chomsky highlights that the worst atrocities – the ethnic cleansing – happened after the U.S. bombed Serbia in 1999. The bombing was officially justified as a preventative measure against ethnic cleansing, but it was actually intended to create instability and undermine the Serbian government.

non-governmental organizations (NGOs), and many of these NGOs sponsor opposition groups (Grodsky 2009, 43-57 and Troitskiy 2007, 426).

A striking relationship between regime change in Serbia (2000) and Georgia (2003) was the close connection between two students movements, which were supported by U.S. government-backed NGOs, as well as a total media blitz in support of deposing the former leader for a new leader. A regular role of NGOs in coup d'états is the de-legitimization of the electoral process in states targeted for regime change, and this technique was used extensively in the case of Ukraine with the Western-backed and funded NGO called the Committee of Ukrainian Voters, an NGO completely funded and operated by Western governments.[63]

In the case of Kyrgyz events in 2005, "Washington NGOs' role in sponsoring the opposition was well known" (Troitskiy 2007, 426). For the regime change in Eastern Europe and Central Asia in the 2000s, U.S. "officials involved in foreign support for democracy largely agreed that U.S. assistance was fundamental to the success of the color revolutions" (Grodsky 2009, 52).

Chomsky (2002, 43) analyzes the U.S. government's 'democracy promotion' and 'support of democracy' in terms of its powerful use of language, because if countries, regimes, or rebel groups oppose the U.S., then they oppose democracy. Likewise, if they oppose the U.S., then they oppose peace and freedom.[64] The U.S. policy of democracy promotion, historically latent in many U.S. foreign policy activities and often proclaimed by presidential administrations, such as President Lyndon Johnson during the Vietnam War, meld public-

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[63] No Ukrainian voters are participants in this NGO (Laughland 2009). See also Natalia Narochnitskaya, 'Preface,' *Orange Networks: from Belgrade to Bishkek*, ed. Natalia Narochnitskaya (St. Petersburg, Althea Press, 2008).
[64] There is an important distinction between democratic principles of government, which are by far the best principles for governments to act in the interests of their citizens, and the duplicitous manipulation of the terms and institutions of democratic government for narrow political and/or economic interests.

friendly terminology with the U.S. government-business complex's less than democratic imperial agenda. The U.S. government-business complex backed NGOs overseas and used the cover of democracy promotion, with accompanying forms of aid and related foreign policy tools, to intervene in the internal affairs of other sovereign nations in order to control them.

U.S.-backed NGOs have even used democracy promotion inside already liberal democratic states, but these states may not be allied with the U.S. or friendly towards NATO. America's democracy promotion activities have sometimes been in conflict international law, such as Chapter I of the United Nations Charter that rhetorically protects all sovereign nations from external interference (Narochnitskaya 2008).

Ironically, the revolutionary movements sweeping across the Arab world in 2011 want democracy, but the U.S. has been strangely reticent to support their desires to throw off authoritarian regimes. The lack of U.S. support for these popular movements fighting for democracy in the Arab world comes from the reality that many of these monarchs and presidents-for life, such as the House of Saud and Egypt's Mubarak, are already within the sphere of American hegemony and Western capitalism. These non-democratic leaders, who are recipients of U.S. (and Western) aid, act as important links in the DoD-Wall Street recycling program. America's scalar imperialism has already been established in these kinds of relationships, and they have been cultivated regardless of political ideology or forms of governance, so why would the U.S. undermine its own system?

The U.S. government-business complex has hedged the possibility of rebellion by making the strongest connections with these countries' militaries and military leaders. The crux of these relations with subordinate states in the developing world is military aid, and the U.S.'s high-tech and professional military capabilities are one of the pillars maintaining the scale of American empire. The U.S.'s ties to militaries around the world ensure its continued hegemony, or at least domination, as well as strengthen the economic ties that bind subordinate states to American-led Western capitalism regardless of the type of government established in the wake of social upheaval.

The Clinton administration's inroads into Eastern Europe by the mid-1990s sought to create these kinds of mutually beneficial relationships between the U.S. government-business complex and local rulers. Clinton's turn to Eastern Europe proved to be an especially strategic initiative, as Eastern Europe and Central / South Asia became crucial chess pieces in the great game of controlling Eurasia by the early 2000s. The U.S. has taken overt and covert roles to advance a pro-U.S. and a generally pro-Western stance towards governments in these regions. The use of fragmentation strategies, democracy promotion, and regime change are methods to try to maintain, expand, and consolidate American hegemony and empire.

Fred Lawson (2004) finds a strong relationship between crisis in American capitalism and the U.S. government's intensified activities in Central / South Asia and the Middle East. He describes 'triumphalist' theories about U.S. foreign policy, all of which posit ideas from the perspective of U.S. global dominance, but he approaches U.S. foreign policy from the perspective of economic crisis and waning U.S. hegemony.[65]

[65] Fred Lawson summarizes two triumphalist theories about US geopolitics. Both are based upon the notion that the US is the world's only superpower and endures zero external restraints on its behavior; therefore its behavior is guided by liberal precepts drawn from its domestic behavior and culture. The first theory states that the US only resorts to war when all other methods of influencing an 'intolerable' state are exhausted. Military action is an action

Lawson draws connections among five geopolitically significant factors: (1) increased U.S. military involvement in Central / South Asian republics and the Persian Gulf region; (2) the bursting of the 1990s technology, media, and telecommunications economic bubble; (3) increased Chinese and Japanese political, economic, and military activities in the Indian Ocean, Persian Gulf and Central / South Asian regions; (4) a declining U.S. position in East Asia; and (5) the U.S.'s desire to polarize Eurasia in order to block any alliances that may interfere with U.S. hegemony.

Both Lawson and Arrighi link America's deteriorating position in the world, economically and politically, with the increased use of military power. Arrighi (2007) finds that the U.S. as well as Western European governments find themselves in a delicate situation – they are trying to shore up their failing economic superiority over ever more economically powerful East Asian states and capitalists by expanding and relying on their military superiority around the world. Arrighi emphasizes that "power and centrality in the global political economy matters far more for the US" than it did for Britain's in its long century (2005a, 64). The U.S. government-business complex's economic and political position is delicately balanced on top of the economic growth of mostly Asian states and their willingness to shore the dollar and the American debt economy.

While the U.S. military had a presence in Central / South Asian and Middle Eastern countries before the bursting of the 1990s economic bubble, the 1997-1998 financial crises

of 'last resort' in this understanding of US geopolitics abroad. The second theory is that the US acts as the core of global imperial powers, and its geopolitical behaviors strive to ensure that all the world's important resources, such as labor and oil, remain under the control capitalists based in Washington, New York, London, and Tokyo; hence the need for a strong US presence around the world.

goes hand in hand with an accelerated and intensified stepping up of US military involvement in those regions. In the 1990s the U.S., Russia, and China were building links with states in the post-Soviet spaces, since these states have become part of a larger competition for hegemony. Control over the re-scaling of economic and political relations in these regions became paramount in the U.S.'s foreign policy as well as the foreign policies of other interested states.

By the mid-1990s, the U.S. government reached a consensus foreign policy approach towards Central Asia. This consensus concluded that "US interests consisted in the weakening of the Central Asian states' dependence on Russia, the prevention of Chinese expansion into the region, the exclusion of Iran from regional interactions …, and the curbing of transnational threats." This reformulated approach towards Central Asia placed it on the "global security map" (Troitskiy 2007, 417). A key method to achieve U.S. hegemony in this region involved closer ties between Washington and regional elites, who would advance "a pro-Western bias in the policies of Central Asian regimes" (Troitskiy 2007, 418). The U.S. courted Uzbekistan by 1995 and many Central Asian states' troops have participated in NATO's "Partnership for Peace" program since 1995.

A major point of contention that often complicated and stalled relations between the U.S. and Central Asian states in the 1990s was instability and security threats in neighboring South Asia – the Taliban in Afghanistan as well as the political situation in Pakistan. It was well known in the region that Pakistani intelligence, under the auspices of the CIA, worked closely to develop groups like the Mujahedeen in the 1980s and perpetuate Islamic fundamentalist ideologies in the region. Central Asian states perceived Afghanistan and Pakistan as major threats, but the "United States was known to have contributed to the Taliban ascendancy" and the widespread perception held by Central Asian regimes was that " 'the United States Department of State … supports the Taliban' " (Troitskiy 2007, 421).[66] A secondary point of contention was the lack of a U.S. guarantee for defense of its Central Asian partners.

The U.S. actions against Afghanistan and Sudan in 1998, the retaliatory bombings for the attacks on embassies in Kenya and Tanzania, worked against U.S. interests in Asia. The outrage in the Arab world over the U.S. air strikes on a major pharmaceutical factory in Sudan as well as the civilian death toll quickened the alliances between Osama bin Laden and the Taliban, creating stronger networks of recruitment and funding that culminated in the Al Qaeda network (Chomsky 2005 and 2006b). Chomsky argues that these bombings helped create Al Qaeda (2005, 108).

Because of U.S. policies in Central and South Asia, by 1999 and 2000 some states had re-oriented towards China and Russia for regional security and economic ties, i.e. the 'Shanghai Group' and now the Shanghai Cooperation Organization (SCO). By 1999 and 2000, the U.S. had "changed its initial benevolent attitude towards the Taliban" and more clearly identified the Taliban along with al-Qaeda as threats. This new attitude is evidenced in 1999 and 2000 by the following activities: U.S. Central Command's (Centcom) reformulated priority in Central Asia of "helping Central Asians to combat transnational threats," such as Islamic extremism; sanctions against the Taliban; a new assistance program launched by the U.S. in 2000 called Central Asian Border Security Initiative, which invited Central Asian heads of state to a Washington-hosted

[66] This statement was made by Benjamin Gilman, Chairman of House of Representatives Foreign Relations Committee in 1998.

conference; and greater CIA and FBI intelligence cooperation in Central Asia (Troitskiy 2007, 422-3).

The intensification of an American involvement in Eastern Europe and Central Asia was to gain access to the governments of countries not yet brought into the fold of American hegemony and Western capitalism. The U.S. has used regime change, democracy promotion, fragmentation strategies, and direct military actions to move these otherwise non-Western pieces of the Eurasian chess game onto the Western side of the board and into NATO.[67]

The Expansion of the NATO Empire

The reality of the situation in post-Cold War Europe and Asia is the strengthening of U.S. influence and involvement hand in hand with an expanding North Atlantic Treaty Organization. NATO is an artifact of the Cold War, yet not only has it not weakened in significance since the early 1990s, but it has grown in strength, numbers, and activities throughout the Post-Soviet spaces of Eastern Europe and Central / South Asia. Through the 1990s and 2000s, the U.S. government has cultivated relationships with states in these regions, helping to expand the Alliance. Figure 6.5 illustrates the extent of NATO in 1949 and Figure 6.6 illustrates the extent of NATO in 2010. This expansion is a cornerstone of American military power, which is a pillar of American empire. By pushing the boundaries of NATO across Europe and Asia, the U.S. acts in its own imperial interests.

[67] The expansion of NATO has occurred simultaneously with the expansion of the European Union to include key border states between Europe and Asia.

FIGURE 6.5: NATO circa 1949 (Source: www.britannica.com)

FIGURE 6.6: CURRENT NATO ACTIVITIES, MEMBERS, PARTNERS, AND DIALOGUE COUNTRIES (Source: www. nato.int/education/maps.htm)

Strong military ties have been put in place between the U.S. and states in Eastern Europe and Central / South Asia who have become members of NATO as well as states that have become strategic partners. U.S. military connections with non-Alliance states in those regions have increased since the mid 1990s, and these relations include giving the U.S. special rights. The impact of NATO membership and partnership can include the following outcomes:

- NATO and/or U.S. authority over the reformation of a member or partner state's defense and security apparatus, which often involves transfers of aid, new knowledge and technologies, purchases of new equipment and weaponry, and humanitarian services.
- Member or partner state participation in training, war games, and joint exercises.
- Member or partner state host to U.S. personnel and U.S. military bases for air, land, and/or sea operations.
- Member or partner state host to transit U.S. non-military and/or military goods.
- Member or partner state participation in missile defense systems.
- Member or partner state participation in military operations, such as the Afghan War.
- Member or partner state hosts to U.S. intelligence needs, i.e. CIA and FBI.

Through the expansion of NATO, the U.S. gains important geographic and economic footholds in strategic places in Eastern Europe and Central Asia. Not only do many of these states represent the border lands between Europe and Asia, they also represent significant energy resources, such as oil and hydrocarbons, and energy transit routes to European markets.

The central goals of NATO and the U.S. in these regions ranges over a variety of issues, such as energy security, 'security,' expansion of Western influence (both political and economic), fighting terrorism, developing missile defense systems, and readying NATO troops in the event of an 'east –west clash.' A stronger NATO and U.S. presence in Eastern Europe and Central / South Asia goes hand in hand with the Pentagon's identification of Russia, China and

Iran as the main challengers to U.S. interests.[68] States in these crucial world regions find themselves in a pickle – they are forced into choosing a pro-Western or pro-Russian / Chinese stance because of their geographic position in the borderlands between Europe and Asia.

The expansion of the U.S. military and NATO created the conditions for the U.S. to establish military bases in NATO member and partner countries. Military bases acquired and renovated by the U.S. in Bulgaria and Romania, who both became NATO members in 2004, form strategic positions for the U.S. military in Eastern Europe. NATO partners Georgia and Ukraine are also hosts to important U.S. military facilities. The growth of U.S. sovereign lands in other countries, the 716 to an estimated 1,000 U.S. military bases in other countries costing an estimated annual $250 billion dollars, are part and parcel of American empire.[69]

The U.S. military has organizationally responded to these new conditions in the borderlands between Europe and Asia by moving USEUCOM (U.S. European Command) from the Western European core into forward operating stations in Eastern Europe and Central Asia, highlighting the U.S.'s more recent focus in these crucial regions. This move also emphasizes the NATO has become redundant in Western Europe as well as costly to maintain. The current economic contraction ignited by the collapse of the commercial paper market in the U.S. has reverberated through Western Europe. Many of these countries' populations and governments are seeking to scale back their involvement and subsidization of NATO and

[68] In 2009, the Pentagon identified Russia, China, Iran and North Korea as the four main threats. North Korea is dropped off the list as it is outside of the geographical regions under consideration. Rick Rozoff, 'U.S., NATO Poised for Most Massive War in Afghanistan's History,' (Global Research, September 24, 2009, www.globalresearch.ca/PrintArticle.php?articleId=15364).

[69] The DOD Base Structure Report officially acknowledges 716 foreign military bases and non-DOD estimates up to 1,000 foreign bases. Joan Roelofs, "Bases of Empire: Casting a Global Shadow" (Counterpunch, February 19-21, 2010, www.counterpunch.org).

American 'empire lite' (Joyner 2010).[70] The scaling of American militarism and empire has not lessened in the face of European reticence, but is has made a decisive shift East in the early 2000s and this trend accelerated since 2008.

Post-9/11 Scalar Imperialism

By the mid-1990s, the neoconservatives, who were funded by hedge funds, plan for a new kind of American Empire. The Cheney-Rumsfeld-Wolfowitz triad was hard at work planning a revamped global American Empire (*Project for a New American Century*). After September 11, 2001, the Bush regime had a menace that could legitimize U.S. attacks on targets, such as Iraq, that had been designated targets back in the 1990s (if not earlier). The Bush administration's *National Security Strategy of the United States of America* (September 2002) laid down a coercive doctrine to carry out these plans (Harvey 2003). This new imperial strategy signals a new approach in American empire and its rhetoric and methods to control the scaling of economic, political, and social relations around the world. This ambitious plan still relies on the two pillars of American hegemony and empire – powerful economic and military capabilities.

Chomsky (2005 and 2006b) explains that this new doctrine openly stated the tacit desire for permanent global domination by a rule of force. The Bush administration promulgated that "if there is any challenge to this domination – whether it is perceived in the distance, invented, imagined, or whatever – then the United States will have the right to destroy that challenge before it becomes a threat" (Chomsky 2005, 2).

[70] U.S. Secretary of Defense Robert Gates fears that "the demilitarization of Europe, where large swaths of the general public and political class are averse to military force and the risks that go with it, has gone from a blessing in the 20th century to an impediment to achieving real security and lasting peace in the 21st" (Gates quoted in Maher 2010).

This is a long-held position in the upper echelon of the U.S. government, which is usually not openly discussed. During the early 1960s, Dean Acheson, who first gained an influential position over U.S. policies under Truman, propounded that no laws constrained the American right to defend against challenges to American "'power, position, and prestige'" (Acheson quoted in Chomsky 2005, 4). Henry Kissinger approved of this new doctrine, but added the caveat that this doctrine cannot be adopted universally by all states and must be monopolized by only the U.S. (Chomsky 2005). The Bush regime's War on Terror, as mapped out by Karl Rove, intended to manufacture and manipulate fears over more terror attacks and America's insecurity as well as racism against Muslims and Arabs to carry out this rule by force (Chomsky 2002). In a move reminiscent of the Cold War spatio-temporal fix, the new War on Terror spatio-temporal fix was designed to stimulate American-led Western capitalism and fix American hegemony and empire indefinitely by creating secure military bases of operation for American interests in strategic regions. An important component of this goal is to create obedience to the American empire.

The tragic events of 9/11 enabled the U.S. government to internalize a commitment to direct coercive engagement – the Afghan and Iraq wars – that has exponentially increased global turbulence. The U.S. government-business complex gained a long-awaited opportunity to re-make Asia and control Middle Eastern oil as part of the larger goal of shoring up its global economic empire (Arrighi 2007, 171 and Harvey 2003). The U.S. sought to revitalize the extensive economic control the West had over Asia and the Middle East in the nineteenth century, mainly British control over Iraqi resources and repression of an independent and democratic government.[71]

Using the justifications of pursuing Al-Qaeda, the Taliban, weapons of mass destruction, regime change, American security and defense (the War on Terror), and then democracy promotion; the American government-military complex instituted a new and exploitative round of its 'protection racket' and warfare-welfare method of military Keynesianism to gain control of strategic spaces and resources in Central Asia and the Middle East.

The terror threat emanating from the Middle East and Asia was produced by the strong American presence in those regions since the late 1970s. The threats are a culmination of the following: (a) U.S. funding for Islamic zealots and their links with the Taliban and Osama bin Laden; (b) military aid to Hussein in the Iran-Iraq War in the 1980s; (c) the U.S. military presence in Saudi Arabia in the 1990s; (d) U.S. support for the corrupt and repressive Saudi monarchy since the 1940s; (e) the bombing and air strikes in the 1990s (Sudan, Afghanistan, Iraq); and (e) the funneling of petro-dollars to Wall Street. All of these factors were a part of the Cold War, the geopolitics of oil, and the American government-business complex's desire to maintain a dominant stance in strategic resource regions and block rivals and defiant states (Klare 2002 and 2004).

[71] Chomsky (2005 and 2006) relates that the British relinquished its Iraq colony in the 1920s, but created British-dominated Kuwait to keep Iraq weak and dependent on Britain. Under U.S. hegemony, the Kennedy administration was part of the effort to install Hussein's Baathist party into power in 1963. Reagan made friendly overtures, such as arms aid in the 1980s. George Bush allowed Hussein to carry out mass murder and crush a Shiite rebellion after the Kuwait war in 1991. Much of this history is linked to the West's contentious relations with Iran and its Shiite majority population.

Both the Afghan and Iraq Wars have intensified the rivalry over Central and South Asian states among the U.S., Russia, and China. These wars have also increased levels of terrorism in the region (Chomsky 2006b). Since early 2001, these states have become "frontline states" in U.S. strategies (Troitskiy 2007, 424). A crucial element of this frontline status is the strengthening of U.S. military presence in those states as well as minimizing and blocking those states' relations with Russia, China, and Iran. Afghanistan is NATO's first ground war. The U.S. has achieved various partnership status agreements with many Central Asian states for use of territory and air space for its military operations in Afghanistan and its police actions in the War on Terror.

U.S. hegemony and its military operations in Afghanistan and Iraq have not been widely supported by its subordinate states, except for the U.S.'s 'junior partner' Britain. Even loyal client states like Japan have not supported these transformations in the U.S. approach to global power.[72] In the 1980s and early 1990s, the 'Asian Tigers' (Japan, Hong Kong, South Korea, and Taiwan) contributed to a more competitive global economy, but at the same time were reliant on U.S. protection. They contributed to American financial hegemony and thus its imperial actions in the 1980s and early 1990s.

After the crash of the Asian 'miracle' and the emergence of China as the growth engine of Asia, the continued funding of the U.S. government-business complex and its operations was based on cheap Asian credit, cheap Asian commodities, and China's economic success (Arrighi 2007, 204). The U.S. has no leverage over China, except as a 'market of last resort,' and the American wars in Asia and the Middle East are aimed at undermining Chinese (as well as

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[72] Arrighi relates that Japan contributed $13 billion for the Kuwait war, but only a meager $1.5 billion for the Iraq War (Arrighi 2005b, 113).

Russian) growing economic and political regional power. The contradictions in these relationships are compounded by the gradual re-orientation of American tributary states, such as Japan and South Korea, to a regionally-based and Chinese-led economy. America's bid to continue its global economic empire clearly had become counterproductive to the capital accumulation for some of its subordinate and rival states (Arrighi 2005b and 2007, 199).

Unlike FDR and Truman's strategy, which mobilized the threat of expanding communism and launched the great American Cold War recycling program that benefitted its Western subordinates (and Japan) and re-started material expansion in Western capitalism, the War on Terror attempted another spatio-temporal fix using warfare but with more narrow national interests. This new great American War recycling program siphoned capital from tributary and rival states, but monopolized the benefits from these liquidity infusions in its financial economy and military establishment.

This new strategy for empire coincided with greater financialization, the inflation of the American debt pyramid, and spectacular profits for Wall Streeters and DoD contractors. Arrighi finds that the neoconservative territorialism of the 2000s was "deeply inconsistent" with the dominant neoliberal capitalist logic embedded in the U.S. government through the 1980s and early 1990s (2005a, 49). In some ways, this new strategy is inconsistent with the colonization of global finance, but the U.S. had already achieved a financial tributary empire by the early 2000s, however unstable its foundations. What it needed by 2001 was reassurance over its control of key resources, and this would include expanding the scale of American empire through conquering territory and suppressing local populations.

The neoconservative project that materialized by the mid-2000s was fairly consistent with a dominant capitalist logic of power that seeks to control key resources (Middle Eastern oil), territories (the strategic spaces between Europe and Asia), and repression of local populations in order to achieve power and control over mobile capital. If it was indeed an attempt to hop-scotch through the Middle East, Central Asia, and the Caspian Sea Basin to control the global oil spigot to shore up American hegemony, then it qualifies as a more territorialist strategy. However, that plan was not operationalized because the U.S. military machine became bogged down in Afghanistan and Iraq.

The neoconservative imperial project for continued American hegemony was in line with previous methods and goals. Although, the capitalist world-economy is not what it was in the late 1940s, and the U.S. is only working from a dominant economic position because of its financial entrepôt status, not from a role in driving a material expansion of the capitalist world-economy. Arrighi (2005b) relates that Bush administration wanted to pull back from neoliberal trade policies and revert to more protectionism of the American economy. While the Bush administration might have favored protectionism, it kept going down the path of globalization and financialization. Under the Bush regime, the U.S. forged even more dependent economic relations with China, causing the American trade deficit to balloon up to unprecedented levels of around 6 percent of GDP (Foster and Magdoff 2009)

Arrighi comments that the Bush administration’s imperial plan was ‘high risk’ and a “particularly unrealistic and clumsy project for global supremacy” that actually undermined U.S. hegemony rather than solidified it (2005a, 25). Failing in Iraq and/or in Afghanistan is both detrimental to America's long term economic health and to America's hegemony. The limits to American capitalism were obvious in 1980s and have become more so by 2011. The limits to America's military power were illuminated in Vietnam in the early 1970s and have become much more apparent by 2011 in Iraq and Afghanistan. Arrighi (2005a, 57) emphasizes that the Iraqis were a much "less formidable adversary than the Vietnamese," and Chomsky (2005, 47) comments that "It takes real talent to fail in this," i.e. the U.S. military occupation.

Since the end of WWII, the U.S. government-business complex has constructed a permanent war footing and a permanent war economy to subsidize its leading capitalists, whether industrial, commercial or financial. Analysts like Foster and Magdoff (2009) seriously question another MICC recycling program as a viable solution to the stagnation of American capitalism. The U.S. has experienced a downward trend in the growth of real GDP since the 1970s with weakest growth rates in the 1990s and 2000s.[73] The U.S. government-business complex's construction of New York as financial entrepôt and an economic empire of control was successful, but this system has been bogged down by the concomitant need to maintain a constant war footing. The very public quagmires of Vietnam, Somalia, Afghanistan, and Iraq illustrate that the gargantuan American military machine (a) cannot conquer and pacify countries that do not even have proper defenses; (b) that this military-welfare system has become detrimental to capital accumulation at the world scale because it causes instability and chaos; and (c) the U.S. government-business complex has an alarming ease with carrying out acts of economic and military aggression. Paul Craig Roberts (2011)raises the notion that

[73] Growth in real GDP in 1960s was an average annual percent of 4.4%, in 1970s was 3.3%, in 1980s was 3.1%, in 1990s was 3.1%, and 2000 – 2007 was 2.6%. John Bellamy Foster and Fred Magdoff, "Financial Implosion and Stagnation: Back to the Real Economy," Monthly Review, December 2008. http://monthlyreview.org/081201foster-magdoff.php.

because of the contracting economy America's current imperial pillars – militarism and high finance – have now entered into a more competitive relationship as each fights for dominance in the American government-business complex and American Empire.[74]

Conclusion

Empires, or rather the creation of empires, are "just another form of social policy by which poor people are subsidizing the rich" (Chomsky 2002, 67). Since the 1300s, Western capitalism and capitalists have needed powerful states and empires in order to expand the capitalist system and maintain profitability. American empire in the twentieth and twenty-first centuries is no exception. By the end of WWII, Britain's empire and free market capitalism had crashed and the duty of America was to revive Western capitalism and defend Western hierarchies of economic domination and exploitation of the non-western world. While the U.S. government-business complex had only periodic but very influential involvement in the European struggles for power and empire, its own internal history of national economy-building through territorial conquest and sheer domination prepared it for a leadership role on the world stage.

After WWII the U.S. government-business complex decided to colonize global financial networks. It decided to rely on Military Keynesianism and the Cold War spatio-temporal fix to revive Western capitalism. The U.S. government-business complex continued the long time process of siphoning the resources and wealth of the non-western world into the bank accounts

[74] Roberts's analysis of the S&P downgrade to America's credit worthiness perhaps illustrates a much larger and more complex relation at work – the dialectical relation between the main pillars of American empire: the military and high finance. Further research must be done to gain a greater understanding of this relation and its consequences.

of Western capitalists through a series of repressive scalar fixes that maintained an imperial system of independent but weak states. America took charge in the scaling of inequitable political, economic, and social relations for both the narrow national interests of the U.S. and U.S. capitalists along with those of Western capitalism. As the hegemon in this process, American-based multinationals and the American people have monopolized the greatest economic benefits from this variation of scalar imperialism. Of course, the American taxpayers played an important role as the subsidizers of the MICC.

Lyndon Johnson said it best – "There are three billion people in the world and we have only two hundred million of them. We are outnumbered fifteen to one. If might [numbers] did make right they would sweep over the United States and take what we have. We have what they want" (Johnson quoted in Chomsky 2005, 167). Johnson clearly indicates that American dominance over global political, economic, and social organization must be maintained; otherwise America would lose its overall high standard of living.

Beginning with FDR and ending with Nixon, the American government dominated as the bankers of the world with a 'Pax Moneta,' creating a vast financial empire stretching all over the world. The heavily subsidized American military machine worked to keep this empire safe for the needs of Western capitalism and it also functioned to recycle global liquidity back to the United States and through its Western (plus Japan) subordinates. This American Empire was eased by the U.S. government's monopoly on international governance and military power.

This system began to crumble by the early 1970s with dual crises in American hegemony and capitalism, but the U.S. government-business complex's adoption and loyalty to financialization aided the resurgence of the American economic empire of control. The dollar cartel, securitization, and a slew of supportive legislation and policies enabled the U.S. government-business complex to keep funds flowing through the imperial circuits of Western capital accumulation, with high profits flowing through the firms of American finance capitalists. Financialization and neoliberal globalization ensured the continued pattern of uneven geographical development around the world. It also hastened the stagnation of the American domestic real economy.

Financialization has been a class project under which the American working and lower middle classes have been dominated, exploited, and subjugated in a similar fashion as any Third World population has been treated by the U.S. government-business complex. In the 1700s, Adam Smith realized that when people who live by profit (bankers) spread their interests of "a widening of the market and a narrowing of the competition," which "'can only serve the dealers … by raising their profits'" above fundamental levels, then this process creates an economic system in which an 'absurd tax' is levied on the rest of society (Smith in Arrighi 2007, 47).

Financialization and bubble economies are nothing new. Since the 1980s, a segment of American society and people in the developing world have been 'colonized' and subjugated by speculative capital and its corporations (Chomsky 2002, 378). These new kind of bankers comprised an international corporate ruling class that controlled international money and their policies were 'insulated from politics' by the complicity of the U.S. government and its subordinate states (Chomsky 2002). Leverage and debt are their preferred methods of subjugation.

This financial form of imperialism pushed by the American government-business complex, aided by its international institutions and client states, and backed by superior military force are part of the larger "recurrent struggles through which capitalist states have used coercive means in the attempt to turn in their favor the spatial shifts entailed in the 'endless' accumulation of capital and power" (Arrighi 2005b, 85).

Since the 1980s, the U.S. government-business complex has attempted to seize the shifts in the capitalist world-economy by turning to financialization and using foreign investors and governments to fund the continuation of an American economic empire of control. Important components of this capitalist logic of power is the maintenance and expansion of NATO, a expression of the warfare-welfare state and a system of weak client states, along with the intensification of the U.S. military in strategic world regions for control over key resources and territory. This strategy was taken to its fullest extent (so far) by the Bush regime in the 2000s. The Bush administration paired excessive exploitation of global financial flows with military campaigns of (attempted) sheer domination.

In past cycles of capital accumulation, the control over global credit and liquidity has consistently proven to be a big advantage (Arrighi 2007, 271). The U.S. has strived to utilize its currency – the dollar cartel and easy money policies – as a means in inter-capitalist and inter-state competition. The U.S. is a net-borrower of funds from abroad, and it relies on liquidity infusions from client nations and rival nations. In this sense, the economic empire of control is still working to re-allocate from poor to rich. The catch is that the U.S. only indirectly controls these liquidity infusions, and if the U.S. should excessively abuse its seigniorage privilege and cause inflation in order to default on its debts, then creditor nations may decide that the U.S., its consumer market, and the dollar are expendable.

America has very grand war-making capabilities and will probably continue to dominate without hegemony or hegemoney for some time. The strategy of military Keynesianism, or the warfare-welfare state, can always revert to majority reliance on American taxpayers if outside sources of funding dry up. Nevertheless, America's great Cold War recycling program did revive Western capitalism. Over time, it engendered greater competition under which American businesses have generally not been able to keep up without heavy subsidization. The re-vamping of this program under financialization and the War on Terror has been unsuccessful, mainly because it threatens the viability of both client and rival states' economic and political well being. The critical weakness in the U.S. government-business complex's current strategy is that it may drive tributary nations to revolt, which opens the door for rivals along with the possibility of the collusion of tributary and rival states (Chomsky 2005, 52).

An important problem with the U.S. warfare-welfare state is that it only succeeds when war revenues outpace taxes paid to subsidize the MICC (Arrighi 2007, 266). So far, the Afghan and Iraq wars have incurred costs around $1 trillion, and American military involvement in these countries has not ceased. A second problem is that that while U.S. wealth is converted into a global military monopoly, the U.S. has been unable to convert this monopoly into a source of wealth (Arrighi 2007, 273). The coercive militarism of the U.S. government-business complex has not achieved the desired goals. This system has contributed to increasing turbulence and instability in the world, especially as the U.S. fights against insurgents in

Afghanistan that it had previously sponsored. The U.S. as "rogue superpower" and the "single greatest external threat to their societies" has become a much more common perception around the world since 2001 (Samuel Huntingdon quoted in Chomsky 2005, 61).

A recurrent trend in all cycles of accumulation is that the leading finance capitalists are not interested in relinquishing M-M' and returning to MCM' kind of capital accumulation. In the U.S. case, the collapse of the financial economy in the fall of 2008 and almost simultaneous bailout of elite finance capitalists is illustrative that the U.S. government strongly supports continued financialization. Government support and perpetuation of the FIRE economy is part of the mechanisms which block system-wide solutions to crises in capitalism.

In general, the Obama administration brought back Clinton-era supporters of financialization and placed them in charge of monetary policies, such Timothy Geithner at the Treasury, who was previously the chairman of the Federal Reserve Bank of New York. Successive U.S. presidential administrations and Congressional leaders have forgotten what Adam Smith knew in the 1700s – that the wealth of nations should not be confused with the accumulation of money. Their pursuit of short term gains of power, privilege, and wealth has created volatility in the world. Continued loyalty to finance capitalism may fuel as many imperialist endeavors and debt pyramids, and likewise rebellions against imperialist activities and debt collection, as loyalty to Wall Street did before the housing-credit bubble crashed.

American scalar imperialism needs to be recognized and situated within the history of Western capitalism, because the most alarming aspects in this history are a persistent use of imperialistic activities and recurrent systemic chaos. The American long century is the shortest cycle to date, and it turned to financialization in the 1970s. Also, the U.S. government-business complex has created anomalies, which stem from the structure of its economic empire, that block normal shifting mechanisms. These anomalies block resolutions of capitalist crises and block resolutions of system-wide instability.

What makes this situation historically momentous are the major cracks (economic and political) forming in the Western system as the U.S. is perceived as a renegade hegemon, but Western states seem to have no other strong alternative. The Western situation is compounded by a severe financial crisis and economic stagnation brought on by American financialization and its debt economy. China appears to be the only non-tributary state with solid economic growth and the potential for much more growth.[75] China is also a net-creditor of the U.S. and has been quickly building its gold reserves.[76]

In many ways, China has the most contradictory relationship with the U.S., because of trade and currency policies, and this may be what propels China ahead of other solid economic performers, such as Brazil, Russia, India, and South Africa. Dialectical relationships are at the heart of the expansion of the capitalist system. American resistance to Chinese economic and political power, or towards any possible political and economic rival, will only further increase volatility and violence. Graeber makes an insightful suggestion from the Chinese perspective, that is Chinese rulers may be floating the U.S. along for now as a "first stage of a very long

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[75] In 2010, China averaged a 10 percent growth rate, and a slightly higher growth rate for industrial production. China's current account balance was an estimated $272.5 billion in 2010. Its stock of foreign exchange and gold was estimated to be $2.622 trillion in December 2011 (The World Factbook - China 2010).

[76] According to the U.S. Treasury, China holds $1,154.7 billion in U.S. Treasury securities in January 2011. China has been gradually adding to its gold reserves, and it is a producer of gold. In February 2011, China's central bank was advised by government officials to increase its gold reserves tenfold. This latest development would push up demand and the price for gold (Creamer 2011).

process of reducing the United States to something like a traditional Chinese client state" (2011, 372). As the U.S. government-business complex is viewed more as kleptocratic instead of democratic, a general revolt against its economic empire of control and recent territorialism in Central Asia and the Middle East would help shift capitalism to a new phase of material expansion under a new hegemon or hegemonic power bloc.

The Western system has come up against major limits to capital accumulation under American hegemony, and its limits are dialectically related to the renaissance of economies previously under Western control, such as China and India. Nevertheless, a transition away from U.S. hegemony, hegemoney, and even its sheer domination come up against the reality of the American government-business complex's octopus-like economic empire and its worldwide high-tech military capabilities.

American empire is set to benefit from increasing volatility in economic markets through speculative activities and use of its currency as a weapon. Additionally, this empire is set to benefit from increased warfare as its system is predicated on a warfare-welfare recycling program. As the largest and most sophisticated regime of accumulation so far, the American government-business complex will use spatio-temporal and scalar fixes to ameliorate threats to its empire and weaknesses within its empire. These fixes will reflect the U.S. government-business complex's monopolization of power, position, and privilege to extract spectacular profits in the short term, but at the expense of longer term volatility and systemic chaos.

Chapter 7: Conclusions on Scalar Imperialism

The way space is produced and scaled reflects contestable and politicized social relationships. The main goal of this research study is to bring imperialism back into the critical discussion on the social production of space, scale, and social relations under a globalized capitalist system. A part of that research goal is to better understand scalar expressions emanating from the dialectical relationship between capitalism and imperialism, at a broad scale, and then how this relation works out under the dialectical relationship between capitalism and the state.

The history and current issues surrounding Western capitalism clearly illustrate that capitalism *needs* imperialism – that is, that capitalists need a powerful state to coercively create and maintain an empire of hierarchies. These inequitable relations structure exploitative political, economic, and social relations to ensure that they, the leading state and capitalists, extract acceptable levels of surplus value from subjugated territories and populations. Imperialism is systemic to historical capitalism as well as to continued Western capital accumulation.

Capitalism needed extensive regimes like the Genoese / Iberians and the British to discover and conquer new spaces at greater scales for continued capital accumulation. Capitalism also needed intensive regimes like the Dutch and Americans to consolidate and integrate those conquered spaces more fully into the capitalist world-economy. To paraphrase Marx and Engels, the 'Great Discoveries' of the late 1400s and 1500s paired with the Asian Trades was the foundation on which the Industrial Revolution was built, but then the expansion of industrialism became the reason for Britain to conquer and consolidate the multiplicity of markets into one world market (Arrighi 1994, 251).

The European imperial power struggles from 1914 to 1945 almost wiped Western capitalism off the map, which would have erased an over five hundred year old system of Western domination and exploitation of the rest of the world. The U.S. stepped into the breach, revived its Western allies through massive deficit spending, and picked up where the British had left off with their own variation of empire given the political, economic, and social conditions of the time. The rulers of the U.S. government-business complex opted for an aspatial economic empire based on dominating global money and credit. This choice makes perfect sense given the preceding brutal territorial clashes among the European powers.

Scalar imperialism is a fundamental way to understand how Western capitalism has expanded from its medieval origins in the northern Italian city-states to a twenty-first century world-encompassing economic and social system. Scalar imperialism is also fundamental to comprehend the contradictions in the capitalist system, and the consequences of the spatio-temporal and scalar fixes carried out by hegemonic regimes to maintain capital accumulation.

Each of Braudel and Arrighi's systemic cycles has relied directly or indirectly on imperialistic fixes to compensate for limits and barriers in their capital accumulation in their phases of material expansion and/or in their phases of financial expansion. The British excelled at shifting the burdens of their economic crises to somewhere else in their empire. The U.S. has excelled at shifting devaluations onto other currencies, economies, and the working class around the world.

The recurrent pattern of expansion, contradiction, financialization, chaos, and resolution illustrates that instability is normal, crises are endemic, and violence and dispossession have played essential roles in the vitality of Western capitalism. These cycles also show that each regime is dialectically related to the previous regime. The problems faced by hegemonic states and capitalist agencies that lead an expansionary period in capitalist history is their eventual decay and subordination by another government-business complex. A new regime is able to resolve capitalism's contradictions and restore system-wide profitability and stability. The scales of Western capitalism are dialectically related as each successive regime solves the crises in capitalism that crop up in the previous phase.

The decay and subordination of past hegemonic government-business complexes has been a relatively straightforward look at the social production of scale under capitalism and imperialism. The violence and turbulence in their cycles is in the past. The case of the current hegemon – the United States – is a more pressing matter. The U.S. successfully underwent material expansion, achieved hegemony, built an economic and military empire, faced contradiction, turned to financialization, created anomalies, and is tending towards systemic chaos because of its persistent military and economic aggression.

The concept scalar imperialism is essential to understand the historical geography and social relations under capitalism. Bringing imperialism in all its various guises back into the complex mix of capitalism, hegemony, and real world crises, is absolutely necessary to grasp the kind of spatio-temporal and scalar fixes that are vital for continued capital accumulation at the system-wide scale. In the history of Western capitalism, spatial scales and social relations created by capitalist and territorialist government-business complexes are not ontological givens; they have been created, junked, re-made, and destroyed in a chain of ever-larger and deeper scales of capital accumulation. The history of Western capitalism is a history of scalar imperialisms.

This research study has tried to bridge the gap in geographical literatures that develop concepts on scale, the state, and capitalism with a revival of the concept imperialism. Another important part of the conceptual work is the elaboration, both conceptually and concretely, of the dialectical relations among imperialism, capitalism, and the state over a long timeline. Imperialism is missing from the conceptual work on modern day capitalism and the state, and this lack of conceptual existence can be attributed to American hegemony, its supposedly invisible economic empire of control, and Western history's extensive use of one particular kind of territorial imperialism in the recent past. This research study sought to correct this conceptual bias in order to shed light on the long term use of imperialism by hegemonic regimes of capital accumulation – by empires.

Empires require expansive scales of operation in order to accumulate power and wealth and promote obedience and subservience to the imperial state and its economic, political, and social hierarchy. Imperial scales are made, altered, destroyed, and so forth; and the making of these imperial scales are about controlling the scaling of economic, political, and social relations into particularly obedient forms of organization. Defiance, even in seemingly inconsequential parts of an empire, is coercively crushed.

Scale is not a stand-alone concept. In this research study, scale articulates with a more flexible and open concept of imperialism. Scalar productions are the repository of all sorts of social processes and struggles. For this study, particular scales laid down by hegemonic cycles of capital accumulation are the repository or expression of the dialectical interactions among capitalism, imperialism, and the state. Sometimes these interactions are amiable and sometimes these interactions create intense and violent conflicts. Pulling these concepts together within the historical context of Braudel and Arrighi's regimes of accumulation is an important step in working out the long term dependence of Western capitalism on imperial processes.

A difficulty in this research study is the multiplicity of conceptual pieces that naturally flow into one another in the real world. In the process of abstraction, these pieces are pulled apart and put back together in a more structured way – in a narrative way – in order to analyze broad patterns in the history and modern day problems of Western capitalism and the hegemonic regimes of accumulation. Keeping all of these conceptual and concrete pieces moving together in a narrative structure is very challenging.

Another difficulty in this research is the use of a long historical timeline. A longer term perspective is beneficial for identifying long term patterns and trends, recurrent problems, and resolutions to capitalist crises. Also, this historical perspective is beneficial for situating the current problems facing American hegemony, empire, and capitalism and its attempted solutions within the broader historical context of Western capitalism. American scalar imperialism, just as Genoese/Iberian, Dutch, and British scalar imperialisms, creates both intended and unintended consequences that can constrain or inflate cooperation, competition, and/or conflict. The patterns and trends remain through history, but the details of each case vary tremendously creating an almost limitless historical palette.

A major limitation in this research study is the need to stay within broad scale patterns and changes during the development of a new concept – scalar imperialism – and chart its general course through the history of Western capitalism. It is a necessary step for further conceptual development, but it is a limiting approach. The diverse range of aspects within each leading government-business complex's scalar imperialism require more detailed analyses to make scalar imperialism a stronger concept.

Scalar imperialism is not a common way to understand Western capitalism, but this concept contributes to a clearer understanding of the persistent contradiction and instability that has driven the expansion and consolidation of a capitalist world-economy. This has been a turbulent process guided by successive hegemonic and imperialistic regimes of accumulation. These empires have sought to control political, economic, and social interactions for their own national benefit and for the profit of their leading capitalists. For a time, these empires contributed to the growth of the capitalist world-economy, but then their control stymied capitalist growth. This long term pattern is playing out again, and the current predicament of Western capitalism in general, American hegemony and capitalism in particular, and the health of the global economy should tend towards a hegemonic change and overcoming the current capitalist crisis. Given America's economic and military capabilities, the friction in this process will hold true to the pattern of systemic chaos.

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