The Financial Crisis and the War for Global Governance

Kees van der Pijl

Centre for Global Political Economy,

University of Sussex

Summary[1]

This paper argues that in the transition from corporate liberalism to neoliberalism, the projection of global governance by the West replaces the previous recognition of bloc formation of non-Western states. The military build-up and counterrevolutionary interventions under Reagan, and the revolt of the capital markets against Keynesianism coupled with unregulated finance, were the relays in this projection. In the same period the Israeli Far Right and their supporters in the United States re-baptised national liberation as terrorism. This made it possible to continue with record defence outlays and arms exports to Middle East and Asian clients. In the early nineties the US military-industrial complex was reorganised in ways that made it dependent on investment banks, deepening the interconnection between international finance and military activism in the process of neoliberal globalisation. In NATO expansion and intervention in Yugoslavia and in a series of wars in the Middle East in response to the attacks of 9/11, the expanded financial-military-industrial complex has created a condition of permanent tension and war. Especially once the financial axis disintegrated in the crisis of 2007-08 and the United States, dragging Europe with it through NATO, has increasingly come to rely on the 'competitive advantage' of its military machine.

1. The US Military-Industrial Complex in the Transition to Neoliberalism

My argument in this paper is that the United States (leading the liberal West more broadly speaking) since the financial crisis of 2007-08 has been compelled to rely ever-more on its military assets to secure its global primacy. The specific policy blend of finance and warfare has come about in the course of the neoliberal restructuring of Western supremacy and capitalist discipline that began in 1979. In that year the inflationary extension of international credit was subjected to a radical adjustment by the interest rate hike engineered by Paul Volcker, head of the US Federal Reserve Bank; whilst NATO decided on the deployment of land-based Pershing II and cruise attack missiles targeting Soviet command centres with a drastically reduced warning time.

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Volcker justified his intervention by referring to the inflationary trend that had to be interrupted—a trend allowing Third World and Soviet bloc countries to industrialise or modernise by tapping into Euro-capital markets recycling petrodollars after 1973. ‘A great world power,’ he wrote at the time, ‘does not want its policies, international security or political objectives to be impeded by external economic constraints’ (cited in Parboni 1981: 164). The clampdown on global inflation has also been interpreted as a systemic adjustment, imposing the discipline of capital on inflation-pegged wages as well as on international credit that appeared to be bolstering the enemies of the West (Gill 1990: 107). As we can see today, the anti-inflation policy domestically worked to abrogate the class compromise with organised labour, whilst subverting credit-financed Third World/Soviet bloc industrialisation plans internationally. One after another, Poland and Yugoslavia, Mexico and Argentina, and so on, found themselves confronted with vast debts to be serviced at high real interest rates on dollar debts no longer subject to inflation (Lipietz 1984). The systemic nature of the intervention is brought out by the fact that the rate of profit on both Anglo-French-German capital and US capital, which had been sliding downward from 1965, rebounded in 1981-82 (Duménil and Lévy 2004: 35, Fig. 3.3).

Sovereign debt is always a driver of further liberalisation and capitalist class formation, and this was not different in the societies up to that point committed to state-led or -monitored economic development. It allows the forcible opening up of entire societies and their resource complexes for exploitation by capital from creditor countries and local compradors. ‘Public debt becomes one of the most energetic levers of original accumulation’ wrote Marx in Capital, vol. I (MEW xxiii: 782). In the 1980s it served to restore a balance which the previous decade had become tilted against the West, and the decade ended with the collapse of the Soviet bloc and with wars raging across the former Third World—in Africa, Angola and Mozambique, in Central America, Nicaragua, Honduras and Guatemala, Iraq and Iran already mentioned, and followed by the first Gulf War.

Neoliberalism as it took shape in the class struggles initiated by Thatcher and Reagan in the early 1980s and adopted by European governments with some delay, thus was never a merely ‘economic’ project. All along it was accompanied by abrogating relations of international compromise. For the era of the Cold War and the non-aligned stance of a growing bloc of former colonies and dependencies that lends meaning to the notion of a Third World, were compromises, in which the West recognised the reality and by implication, legitimacy, of the organisation of blocs against it, just as the capitalist class recognised the existence of organised labour. All negotiation through the era of what I call corporate liberalism (roughly from the 1930s and 40s to the 1980s) was premised on the sovereign equality of the other side. It was this recognition that was abandoned in neoliberalism. Thus the domestic class compromise with labour was replaced by a compromise within the circuit of money capital with middle classes profiting from the rise of rentier incomes relative to wages (Epstein and Power 2002). In Table 1 I sum up the characteristics of the two periods I distinguish here.

Table 1. Corporate Liberal and Neoliberal Capitalism—Key Aspects

	Corporate Liberalism	*Neoliberalism*
Lead Circuit of Capital	Productive Capital	Money Capital
Core class compromise	Mass production industry/ Organised Labour	Finance/ Asset-owning middle classes
Geopolitical frame of reference	Bloc formation	Global governance

Although superficially, there was no letdown of violence over the post-war period as a whole, the change in geopolitical framework from the corporate liberal to the neoliberal epoch lends war a quality that is different too. In the case of the former, there was always a limit on the application of violence in the sense of a recognition of the rights of the other side. The Vietnam war, although unprecedented in terms of explosives used by the United States and its allies (twice the tonnage of all fronts in World War II), never crossed the boundary where a direct conflict with the USSR or China might have ensued—in that sense Korea had drawn the boundary line for Asia that for Europe had been explicitly agreed at Yalta. Neoliberalism however was premised on an overt strategy of destabilising the USSR and the Soviet bloc, both by exploiting the leverage of the 1980s debt crisis, or by actual military provocations such as the Korean airline incident and assorted excursions into the Soviet territorial waters of the Black Sea by US naval units (e.g., Garthoff 1994: 269).

The intricate connections between neoliberalism and global governance, if necessary pursued by military means, were part of the assemblage of the neoliberal coalition in the crisis-ridden 1970s. During the Vietnam years prime defence contractors already made profits above the Fortune 500 average, but as Jonathan Nitzan and Shimshon Bichler document, the rate of profit of the 16 largest prime defence contractors by the mid-seventies began another slow ascent that accelerated to almost double the rate of the Vietnam average by 1985 (Nitzan and Bichler 1995: 462, Fig. 2). This time the arms bonanza was fuelled from the Middle East, which began accumulating surplus funds through oil price hikes (in response to the uncoupling of the dollar from gold that triggered the inflationary trend terminated by the Volcker shock). As the region became more and more militarised and oil income was translated into arms imports, Nitzan and Bichler argue, the interests of US arms exporters and transnational oil companies converged on keeping the region in a state of tension—to the point where they demonstrate that whenever the profit rate of the oil companies fell below the average of the Fortune 500, a Middle East energy conflict soon after put things right (Nitzan and Bichler 1995: 499-500; cf. 496, Table 4).

The element missing from this analysis are the groups (elites, cliques) that represent such objectively interlinked forces in the sphere of policy. These I would argue are to be found among US supporters of the state of Israel, both Zionists and Christian Zionists. They can be seen to have mediated and on occasion, activated, the interconnection posited by Nitzan and Bichler between Middle East 'energy conflicts', the big oil companies, and the US military-industrial complex. With the election victory in Israel of former Irgun terrorist leader Menachem Begin in 1977, the military component of Western global governance was given a major boost. The adverse conjuncture in the second half of the 1970s (expressed among other things in a UN majority condemning Israel's racist character as a 'Jewish state') may have helped Begin's ascent, as did the occupation of the West Bank, the Golan, and Gaza after the 1973 war with Egypt and Syria. In the US the targeting of Israel pushed a large slice of the traditionally left-leaning Jewish intelligentsia to what became known as Neo-Conservatism.

From 1979, the right-wing ('revisionist') Zionists in Israel began a sustained attempt to broaden the links with the militarist forces in the US beyond connections with the fundamentalist Christian Zionists established by Begin (for details see my 2010: 189, 202). At a series of conferences in Jerusalem in 1979 and Washington in 1980 and '84, the theme of world-wide web of 'terror' supposedly orchestrated by the Soviet Union, was discussed by neoliberals and 'Neo-Cons' from a range of countries and backgrounds. In 1982, Israeli forces, using false pretexts concerning an assassination attempt unrelated to Lebanon, invaded that country after having shelled it 'in retaliation'—which led to an occupation of southern Lebanon that lasted until 2000. As Diane Ralph has argued, in hindsight this can be seen to have served as the prototype of pre-emptive 'going after terrorists', paving the way for Iraq-type regime change (Ralph 2008: 265-6).

Participants at the Jerusalem Conference on International Terrorism in 1979, officially opened by prime minister Begin, included Henry Jackson, the 'Senator from Boeing' (who along with investment banker and veteran Cold War diplomat Paul Nitze had led the opposition to Kissinger's détente policies earlier in the decade) and former CIA director George Bush Sr., then still a presidential hopeful looking for a cause. Reagan, who won the election instead with Bush as vice-president, took on board his emphasis on the need for a 'war on terror'; clandestine undercover activities under Bush's authority eventually exploded in the Iran-Contra scandal (Callahan 1990: 7). Alexander Haig, Reagan's first secretary of state, publicly endorsed the idea of the 1979 conference (echoed in a book by journalist Claire Sterling of which had read the proofs) that the term 'national liberation' should be replaced by 'terrorism' and that the 'Third World' did not exist (see my 2006: 203, 235).

Between 1981 and 83, Reagan signed a number of confidential directives aimed at neutralizing Soviet control of Eastern Europe and regime change in the USSR; in January 1984, Haig's successor, George Shultz, declared that the partition of Europe under the Yalta agreement with the USSR had never been recognized by the United States—thus abrogating the Helsinki Accords (cited in my 2006: 230, cf. 234). Thus the corporate liberal notion of blocs was formally and openly replaced by a global governance perspective, to which the Soviet Union, once Gorbachev had taken over as General Secretary of the communist party, responded by trying to 'secure Soviet admission to the elaborate collection of institutions that constituted the Western economic and political system' (C. Blaker cited in Bobbitt 2002: 613).

The 1984 conference in Washington spelled out in detail the programme of a War on Terror including confronting states not submitting to Western leadership, in the Middle East and elsewhere. The presence of Shultz and Attorney General Meese gave the event an official imprimatur; I have elsewhere analysed the conference papers edited by Benjamin Netanyahu, Begin's ambassador to Washington and current prime minister (see my 2013: 25-8; Netanyahu 1986). Claims that 'Moscow' was orchestrating a final assault on the West at the time already must have sounded odd but the projections and implications of a War on Terror discussed at the conference are otherwise more than accurate.

2. Wars for Global Governance

At the time of the first Gulf War of 1991, the collapse of the Soviet Union removed 'Moscow' from the 'terrorism' equation, but all other aspects remained in place. The Neo-Cons in the Bush Sr administration were concerned that ideas such as Edward Kennedy's proposals to reduce defence spending and use two-hundred billion dollar over a number of years to invest in health, education and jobs programmes might catch on. Under Secretary of Defence Paul Wolfowitz, one of the 'Vulcans' identified by James Mann as the core of the future Bush Jr war cabinet, commissioned a Defence Planning Guidance for 1994-1999, to argue the case for continued military spending.

The resulting document recommends that the US ensure its allies would not feel inclined to develop a military capacity outside US command structures (thus European integration should not undermine the unified command structure of NATO), whilst it echoed the recommendations of the aforementioned 1984 Washington conference that pre-emption and punishment were legitimate forms of dealing with the threat of weapons of mass destruction (cf. Senator Paul Laxalt in Netanyahu 1986: 187). Since the US aim was to prevent any future global competitor to arise, it should remain a generation ahead of all others in technologies that would be decisive on future battlefields (DPG 1992: 18, 46). The Democrats failed to come up with an alternative to the Neo-Con DPG (Mann 2004: 215), so the incoming Clinton Administration continued the forward defence strategy under a concept of Western global governance led by the US. This concerned among other things the recommendation made by the Defence Planning Guidance to extend alliances to Eastern Europe, with the express recommendation to make Russia unilaterally reduce its forces and presence whilst maintaining NATO's (DPG 1992: 21, 48).

In January 1994, the North Atlantic Council agreed to expand NATO to include Poland, Hungary and the Czech Republic, whilst other candidates were invited to join a Partnership for Peace. This was a unilateral choice made by the US without consulting its partners. As Thomas Schreiber writes, the selection was due to ‘powerful Polish and Hungarian lobbies in the US and Albright’s Czech origins, but the countries also represented attractive markets for US arms sales, given the imminent replacement of obsolete Soviet equipment’ (Schreiber 2004). The need for arms sales arose from the fact that after the collapse of the Soviet Union and the victorious conclusion of the First Gulf War, the companies identified by Nitzan and Bichler as prime defence contractors in anticipation of an adverse procurement conjuncture had embarked on a process of reorganisation. The US aerospace industry in particular was extremely receptive to the assumption of ‘new responsibilities’ by Washington. As I have shown elsewhere (2006: 261-2, 273-4), it was going through a series of mega-mergers (Lockheed and Martin, Boeing-Rockwell-McDonnell Douglas, Raytheon and Hughes) which brought it in close touch with Wall Street bankers assisting in the process.

Clinton already in June 1991 had been invited for what the New York Times later called ‘a job interview’ on Wall Street (International Herald Tribune, 16 February 1999). The appointment of Robert Rubin (then from Goldman Sachs) and Richard Holbrooke (Lehman Bros, Credit Suisse First Boston) to his cabinet, along with the continuation of Alan Greenspan at the Federal Reserve (J.P. Morgan), gave Wall Street the whip hand in the Clinton Administration. Not only did the Clinton administration in 1999 suspend the Glass-Steagall Act of 1933 that separated (international and risk-seeking) investment banking from (national and risk-avoiding) deposit banking. Its neoliberal activism also duly included opening up financial markets across the globe. Certainly the 1999 G 7 meeting in Cologne agreed that the financial system required strengthening in light of the Asian crisis and the collapse of the LCTM hedge fund. But countries the world over were also expected to pursue, as cited by Christopher Rude, ‘capital account liberalization… in a careful and well-sequenced manner, accompanied by a sound and well-regulated financial sector and by a consistent macroeconomic policy framework’ (Rude 2008: 214). Thus they would be able to stick to tight monetary and fiscal policies keeping wage and social security costs at a minimum.

The alliance of Wall Street finance and US/NATO militarism was cemented when Holbrooke supervised NATO intervention in Yugoslavia between 1994 and ’99. Unlike the First Gulf War, the collapse of the USSR in the meantime had removed the need to consult with Russia. However, the weight of the two components varied over time. As De Graaff and Van Apeldoorn write, foreign policy under Clinton was ‘oriented towards the promotion of globalization as a programme of global marketization and commodification’ (de Graaff and Van Apeldoorn 2011: 408, emphasis deleted); under Bush Jr., it was exchanged for a policy focusing on ‘external dangers, imagined or real’ (Ibid.: 410). Compared to Clinton’s two terms, the links of the Bush Jr administration with Wall Street were not as prominent as its predecessor’s; those with oil companies were more pronounced even if the largest and closest, Enron, collapsed under the weight of creative bookkeeping soon after Bush took office. With key figures in the administration such as vice-president Cheney and national security adviser Condoleezza Rice having spent the Democratic interval on the boards of oil (equipment) companies, the switch from neoliberal globalisation to a renewed focus on the Middle East becomes plausible.

The militarist line was again articulated is by the Neo-Con ‘Project for a New American Century’ launched in 1997. It reactivated the network that originated in the Jackson/Nitze group and transformed itself into the Committee on the Present Danger (the single most important network represented in the Reagan administration, Brownstein and Easton 1983: 500, 533-4). The Defence Planning Guidance 1994-1999 cited earlier was a product of the same set of people. The relatively close links of the Bush Jr. administration with defence companies observed by De Graaff and Van Apeldoorn need not surprise, but then, the authors emphasise the continued representation of finance also under Democratic governments (de Graaff and Van Apeldoorn 2011: 420). This underscores that we are looking at an integral grand strategy in which the entire spectrum of US and allied transnational capital has its part to play.

The key difference, then, between the post-war corporate liberal concept of control that assumed legitimate ‘corporate’ representation (i.e. in international relations, bloc formation) and neoliberalism, is global governance by the West. Against it no valid opposition can be upheld. The Defence Planning Guidance 1994-1999 already warns against a ‘re-nationalization of security policy’ (of other states, DPG 1992: 2) and urges the US to focus on ‘precluding the emergence of any potential future global competitor’ and never allow a situation of mutually assured destruction to arise again. ‘It is not in our interest or those of the other democracies to return to earlier periods in which multiple military powers balanced one another off in what passed for security structures’ (DPG 1992: 5, 15, 46). Within this broad concept, the Bush Jr. merely emphasised the military/Middle East axis, but this coincided with a drastic decline of its civilian economic involvement.

Claude Serfati interprets the Bush Jr turn towards military solutions—nominally in response to 9/11, but in fact going back to the mid-80s plans for a War on Terror—as a continuation of globalisation by other means. '"New wars",' he writes, 'should be considered not only a consequence, but also an active component of economic and financial globalisation, as they are integrated into global financial and trade systems' (Serfati 2004: 195). Throughout the neoliberal epoch (so from the 1980s on) the US has relied on military outlays, exports, and actual intervention; from 2001 its non-military involvement was reduced drastically. Exports from the US have declined by roughly 20 percent over the last decade, beginning in 2001 (del Gatto et al., 2011: 12). US arms exports on the other hand rose steadily and in 2011 totalled $66.3 billion, more than three-quarters of the global arms market. Russia was a distant second, with $4.8 billion in deals. The American weapons sales total was the largest single-year sales total in the history of United States arms exports, according to the New York Times (26 August 2012).

The wars of the neoliberal epoch are about dispossessing state classes that keep countries of various sizes closed to Western political influence and transnational capital. Serfati refers to a September 2002 report supposedly authored by Condoleezza Rice which argues that the struggle against the Axis of Evil (rogue) states is about free markets and free trade which according to this report 'arose as a moral principle even before it became a pillar of economics' (cited in Serfati 2004: 198). Indeed as the author concludes,

> Some European countries are frustrated with the Bush administration's use of military might as a tool for gaining a competitive economic edge over its military allies (i.e. by marginalising French interests in Iraq). What if the "prime enforcer of global-economic liberalism" abandons the rules adopted within the multilateral global governance framework for a set of rules of its own? (Serfati 2004: 200, citing Robert Cox).

The advantage that the United States enjoys by adding its overwhelming military might to its overall competitive profile (including, notably, the IT sector in which US capital holds the cards, Microsoft, Google/Facebook, etc. which increasingly is being integrated into state surveillance and intelligence structures) has been consolidated under Obama. Military and financial assets, the neoliberal package that restored US competitive advantage from the Reagan presidency on and was thrown into high gear by Clinton, then ran into trouble as one component, footloose international finance, imploded in the crisis of 2007-8.

3. The Financial Crisis and the Great Recession—An Epoch of Endless War?

The pivot of global finance still today is anchored in the Anglophone West. London remains the biggest market for transnational financial activities, with a share of 36.7% of total transactions, followed by the US (17.9%) (Chesnais 2011: 48). It was also here that liberalisation of finance took the greatest strides under Thatcher and Reagan. The ‘revolt of the capital markets’, or the ‘revolt of the rentier’ as it was variously labelled, saw new ways of enrichment being legalised, with the power of creating liabilities spread from the banking world into a grey zone of new financial players. In all, the circuit of money capital (total value of the world’s financial assets) ballooned from $12 trillion in 1980 to $142 trillion 2005, about three times the combined domestic product of all countries on the planet (Sassen 2010: 38-40).

‘In many respects, we’ve come full circle to the bargain-hunting 1920s’, radio-show host James Jorgensen commented at the time, ‘… except for one big difference: <u>The risk-takers today are playing with money that’s federally insured</u>’ (Jorgensen 1986: 20, emphasis added). In 1980 the debts of the US financial sector amounted to 18% of GDP; in 2008, it was the largest debtor with 119% of GDP (overall the US total debt had grown from 155% of GDP to 349%, Chesnais 2011: 79, Table 2). Nesvetailova (2010: 103) speaks not of sub-prime but of ‘sub-crime’ given the proportion of so-called ‘liars’ loans’ (to completely un-creditworthy clients), $80bn of which were securitised and sold on in 2006 alone by IndyMac, the first US mortgage lender to go down. Then came Bear Stearns, Merrill Lynch, Fannie Mae/Freddie Mac, and AIG, and in Britain, Northern Rock and RBS, to name only the most spectacular cases.

At the G-20 in London in May 2009 there was general acknowledgement that the crisis was a banking crisis. The insurance policy Jorgensen refers to, had meanwhile been effectuated to keep the banks afloat. This signals that in contrast to pre-1929 liberal internationalism, which operated at arms’ length from states, neoliberalism is anchored in a class compromise between finance and asset-owning middle classes that is ‘condensed’ in the orientation of state power (not unlike industry/labour compromise was condensed in post-war welfare states typical of corporate liberalism). States in the West and states from elsewhere, through their Sovereign Wealth Funds (SWFs), have intervened to save the financial sector. Indeed along with state rescue operations across the north Atlantic economy (Nesvetailova 2010: 27-37), Sovereign Wealth Funds from China, Singapore, and the Gulf Arab princely states in 2007 began to pour money into troubled financial institutions (Morgan Stanley, Merrill Lynch until its take-over by Bank of America, Barclays, UBS, and others—see Pistor 2009: 554, Table 1). As Katharina Pistor comments,

> Cumulatively these responses have created a network of equity ties linking the world’s largest financial players, i.e. financial intermediaries and sovereign investors “of last resort”, effectively giving the latter not only a stake in selected financial intermediaries, but through them—a stake in the global financial market. These network relations are therefore likely to affect how these markets will be governed in the future, even if the specific configuration of the network will change or most ties will be severed once the crisis has receded (Pistor 2009: 553).

However, there is a major difference between the position of the states in the West and those behind the Sovereign Wealth Funds. The latter operate, as the name of their financial vehicles suggests, from a position of surplus savings. Even if those SWFs that concentrate funds earned through raw material exports are vulnerable to price volatility (Schwartz 2012: 521), their investment behaviour is a function of prior savings.

The states of the West on the other hand were already looking at deficitary budgets due to tax breaks (equally part of the neoliberal class compromises condensed into state power) and a lag in breaking down prior welfare state arrangements; not counting the cost of the new wars. For these states, taking on bank losses and translating them into sovereign debt meant that they transmuted a crisis of speculative banking into a debt crisis. In 2009 the public debt of the ten richest countries was expected to rise from 78 per cent of GDP in 2007 to 114 per cent in 2014 (Nesvetailova 2010: 90). Table 2 illustrates that sovereign debt inflation in the four main currency zones was well on the way to reach that level.

Table 2. Relative Size of Outstanding Public Debt. Eurozone, UK, US, and Japan, 2007-2012 (percentage of GDP).

	2007	2008	2009	2010	2011	2012	
Japan	162.4	171.2	188.8	192.7	205.5	214.1	
UK	67.0	75.9	89.7	98.3	102.7	108.6	
US	71.8	77.0	87.8	93.1	95.1	99.1	
Euro Area	74.5	81.0	92.5	98.7	103.0	107.6	

Source: OECD 2012.

The socialisation of bank losses and their transformation into public debt worked to change a crisis of speculative finance into a crisis of sovereign debt, a metamorphosis that Christos Lynteris, discussing the Greek case, characterises as 'an officially sanctioned and governmentally organised Economic Crisis, a structural counter-event … that … manages to substitute [the initial crisis] as the true field of decision, as the real crisis' (Lynteris 2011: 210). It we think back of Marx's assessment of the role of public debt as 'one of the most energetic levers of original accumulation', the solution to this crisis will, if left to itself, tend towards a deepening of neoliberalism; in fact, as François Chesnais argues, 'the success of the rescue operations has allowed [the banks] to preserve their domination' (Chesnais 2011: 66)—that is, in the West. For if from the perspective of the SWFs investing in financial institutions, a change in the governance of the circuit of money capital would appear desirable, in the case of the deficitary Western states, this does not seem to be in the cards bar a powerful popular movement from the left.

Certainly there is now an interregnum as far as codes of conduct for banks are concerned, but policy seems to be dictated much more by concern over saving them than by any interest in changing the mode of governance. The metamorphosis of the bank crisis into a crisis of public finances shifted a political climate of antagonism towards the financial sector (expressed in the Occupy Wall Street movement) towards a resurgent critique of state expenditure or at least, acceptance of savage cuts in public provision. In the US, 'Washington' is the culprit again; in Europe, the Greeks, the Italians, the Spaniards are the problem. For as Costas Lapavitsas et al. write, 'To rescue the banks, the eurozone had to bail out peripheral states' (Lapavitsas et al. 2012: ix). The shadow banking system that by all accounts was at the origin of the financial collapse in 2010 was still 20% larger than the regulated banking sector (before the crisis it was twice the size, Chesnais 2011: 72-3).

The public mood however has been steered towards political culprits, at home or (preferably) abroad. This allows the most aggressive militarist elements in the West—the United States, with Israel as its attack dog, Britain, and as an occasionally dissident junior partner, France—to continue with policies of confrontation and actual military adventures. These are obviously short on any longer-term strategy and are creating, on top of the horrors for the countries directly targeted, regional destabilisation and further conflicts. The Afghan quagmire has led to destabilisation of Pakistan; the invasion of Iraq has reignited Kurdish separatism and Sunni-Shi'ite sectarian violence across the region; Libya has reactivated revolt of the Tuareg ethnos across the Sahel, resulting in the uprising in Mali and the French intervention. Capitalist interests are deeply involved in these conflicts, and not just the arms industry.

In the case of Libya (with its oil) and Mali (with its uranium), there was an element of rivalry with China, the current contender of the liberal West. As Anne-Marie Slaughter, Princeton international affairs scholar and director of policy planning at the State Department under Hilary Clinton, puts it (2012: 5), 'At a time when China is preaching the virtues and reaping many of the benefits of statism in its investment and assistance programs around the world, the U.S. can model a far more pluralist approach that involve parts of the state working together with a wide range of social actors'. The 'public/private partnerships' she has in mind notably involves the IT industry. After the coup d'état in Mali in March 2012, in the slipstream of bringing down the Gaddafi regime in Libya by NATO, the Microsoft director for Africa was named prime minister; several Google operatives had by then distinguished themselves in the 'Arab spring' already (Allard 2012: 27).

In the meantime the West, and the United States at the heart of it, has slipped into a state of permanent war. According to a Washington Post report (4 September 2011), the Pentagon itself, beneficiary of a defence budget the size of the rest of the world combined, considers that there should be 'no illusion that the developed world can win this conflict in the near future.' Given its multi-trillion size deficit, the question arises whether this condition of permanent war does not reflect that the US may have become a mercenary state for those financing the deficit by continuing to buy US treasury bonds. But how to make sense of this given that the largest holder of US treasury bonds, China ($ 1.2 trillion in December 2012) is now subject of a steady US military build-up that also involves Japan (second-largest with 1.1 trillion), is unclear unless we are looking at build-up towards an open conflict between the deficitary states and the surplus states in which the United States would bring its remaining competitive advantage to bear on China and Russia.

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