the development first, but realist academics took up the refrain in the 1980s, dramatized especially by Paul Kennedy’s *The Rise and Fall of Great Powers*. The latter’s emphasis on State actors and military power was a useful corrective to WST’s tendency to focus on market forces. On the other hand, realists’ own accounts of American decline, as suggested earlier, were badly distorted by their tendency to define hegemony simply as a preponderance of power, not by its functional definition as provider of public goods; to focus on individual nations rather than a global system of interlocking zones; and to treat economics as only a factor, but never a system. Capitalism, for example, is a nonword and a nonconcept in Kennedy’s book.

This relative decline of American hegemony coincided with a global crisis of the world-system. Its interstate sub-system vacillated wildly and often between confrontations and détentes with the Soviet bloc, until it ended with Cold War’s demise. Its economic sub-system suffered repeated and serious recessions in 1974, 1979 and 1981, a collapse of the Bretton Woods monetary system, unstable lending patterns, two devastating ‘oil shocks,’ and a debt trap for emerging markets like Latin America, that stunted their growth for a decade.

While the causes of this global crisis were complex, on both sides of the Iron Curtain, the relative decline of American hegemony lay at its core. Politically, the debacle of the Vietnam War had polarized American domestic opinion over that war and spawned a volatile debate over America’s global role in general – thus ending two decades of popular consensus. It had also raised doubts among European and Asian allies about the rationality of U.S. global priorities, denting American credibility in the process. Economically, a sharp decline in productivity, disinvestment in the industrial sector, stagflation in the 1970s and ‘paper’ growth in the 1980s, a vulnerable currency, and a serious balance of payments crisis – all stood in unsightly contrast to a steady German economy in the 1970s and a spectacular Japanese economy in the 1980s. Systemic and realist scholars alike blamed the plight on excessive military commitments and over-investment abroad at the expense of domestic stimulation – a difficulty that had also plagued Britain in its decline.


20 I use the term “realist” in a very broad sense, aware that there are some distinctions that could be made between realists and neorealists.
The American response in the political interstate sub-system was a continuous reassessment of whether Cold War or détente better served its hegemonic project of managing allies as well as enemies. While many of the preconditions for the Cold War vanished after 1962, an “imaginary war” (as Mary Kaldor called it) still permitted American and Soviet leaders to manage both domestic public opinion and their NATO and Warsaw Pact protectorates. Bourgeois dissident movements at home and abroad, however, undercut that symbiotic enterprise, prompting each side to shift toward détente in the 1970s – a choice reinforced by material advantages each hoped to gain. And when, instead, détente failed to produce economic advantage and also undercut the management of dissident movements (e.g., a Euro-communism hated equally by America and the Soviet Union), each side shifted once more to a short, aberrant Cold War in the early 1980s, only to see the pendulum shift back again in the late 1980s.

In the world-economy subsystem, a faltering America proved reluctant to provide the ‘public goods’ expected of a true hegemon; indeed it tried to force its allies to pay the costs of adjusting to U.S. economic weaknesses. For example, it muscled Germany and Japan to revalue their currencies upward; and after failing to do so, it halted dollar-gold convertibility and imposed a 10 percent surcharge – one to be lifted only if countries accepted U.S.-dictated exchange rates. But even that stop-gap measure could not prevent the Bretton Woods disintegration. Similarly, the United States retrenched on its hegemonic obligation to provide stable and steady lending and investing abroad, even experimenting with the heresy of capital controls in the late 1960s and early 1970s in an attempt to preserve the dollar’s key role in global trade and finance. And in the 1980s, America used high interest rates and tight money supplies to attract foreign capital to finance its budget and trade deficits. In effect, American dominance depended less on its steady provision of funds abroad than on its reverse ability to attract funds itself.

Fifth, the post-1989 era, unlike any experienced by the British, seemed to witness a revival of the hegemon. In the interstate subsystem, American supremacy in high-tech warfare – dramatically demonstrated in Iraq and Yugoslavia – still commanded respect from its core allies. Similarly, the expansion of NATO’s functions and its geographic reach sustained the alliance’s status as an American protectorate; likewise, Japan remained a U.S. client-state, despite some revisions in the Japanese-American security arrangement. In the world-economy subsystem, which now encompassed the whole planet, America’s booming consumer demand provided a market of last resort to absorb global over-capacity, as it did for Asia late in the 1990s. Its economic rules of the game – sound budgets, low inflation, deregulated markets, and free trade – were internalized in every zone of
the world-economy. The ‘soft power’ of its consumer lifestyle and popular culture had an almost missionary impact, albeit secular, on the peoples of the world. And it possessed a commanding technological lead in an allegedly New Economy, a new paradigm that had repealed the laws of the Old Economy. Given such realities, the ‘declensionist’ views of the 1980s gave way to a triumphalism that dismissed the idea that America had ever lost its hegemonic suzerainty; or in a curious twist, even seemed to suggest that only in the 1990s did American hegemony come to pass with the fall of the Soviet Union and America’s new status as sole superpower.

Appearances, however, can be deceiving. While American primacy seems assured for an indefinite future, there is a growing resistance in the political interstate system against American ‘unilateralism’ and ‘hyperpower.’ Continental Europe, in particular, has little enthusiasm for NATO expansion eastward and already floats the idea of inviting Russia itself into the alliance. Humiliated by its dependence on American technology and transport in Yugoslavia, it has begun the slow process of creating a European Union rapid defense force — hopefully equipped in the future with weapons and transport produced by the European Aeronautic, Defense, and Space company (EADS), the third largest “defense giant” in the world. Angered by American rejection of the Kyoto Protocol on the environment and not persuaded by American plans for a National Missile Defense, it has openly castigated the United States for both. And economically, the European Union still hopes by the year 2010 to rival the American economy everywhere in the world.

Likewise, there are several reasons to question the capacity of the American State to manage the global economy in proper hegemonic fashion. First, it is not a given that the New Economy of high technology, low inflation, and soaring productivity is real or here to stay. Even Federal Reserve chairman, Alan Greenspan — a New Economy booster himself — acknowledged that it would be another decade before it was clear if "the American economy was experiencing once-in-a-century acceleration of innovation" or merely "one of the many euphoric speculative bubbles that have dotted human history.”

Second, it seems increasingly possible that the American State does not command the public consensus necessary to sustain a hegemonic role over

the long term. Politically, there exists pervasive opposition to any military actions that put American soldiers at risk. Economically, a loose coalition of unions, environmentalists, human rights advocates, and home-market businessmen frontally challenge the tenets of globalization – blocking expansion of the North American Free Trade Association to South America, denying the President fast-track negotiating power in trade talks, questioning the efficacy of the International Monetary Fund, and attacking the World Trade Organization, vehemently and violently.

Finally, the American government may lack the relative autonomy to fulfill the traditional hegemonic role of global economic management. Functions that were once the responsibility of a proactive State have now devolved to a private domain of financiers, autonomous central banks, and the IMF – akin to what Keynes once called “a parliament of banks.”25 Rather than “police a relatively stable system of exchange rates,” the United States has presided over a system of “adjustable peg” that invited attacks by currency speculators when economic difficulties raised the prospect of devaluation (e.g., the Asian financial crisis of 1997–1998).26 Rather than ensure “countercyclical, or at least stable, long-term lending,” it has insisted, in its call for so-called structural reforms, on a regime of free capital flows; and the result of that investor freedom has been a lending/investing pattern far from stable and long term.27 It has expanded and retreated from one area of the world after another, and often done so in lock-step with the cycle rather than counter to it. Like Latin America in the 1980s, Asia had its turn at this financial game of musical chairs in the 1990s.

There was a moment, to be sure, in 1998 when the American government looked willing to use the power of the State to create a ‘new financial architecture.’ Frightened by the persistent Asian crisis, Russia’s currency collapse, Brazil’s vulnerability, and the American hedge fund fiasco, there was a movement to regulate against short-term capital flights in tough times. But the financial community strongly objected and the crises receded in 1999, along with talk of architectural reform. Arguably, the American government had not only relinquished autonomy and responsibility, it had committed “moral hazard.” It had allowed private American capital to take the risks – be it in Mexico, Indonesia, Russia, or Argentina – “while somebody else” – including the American taxpayer – “bears the costs when things go badly.”28 All this suggests a world characterized less by American hegemony than “a world of weak governments

26 Krugman, Return of Depression Economics, 105.
27 Kindleberger quote in Walter, World Power and World Money, 3.
28 Krugman, Return of Depression Economics, 66–68.
and strong central banks." A “stage of financial expansion” that might, as Braudel put it, mark America’s “maturity” – its “autumn.”

As the twenty-first century commences, U.S. economic, military, and ideological power still holds the commanding height and will perhaps do so for the foreseeable future. Only the European Union seems likely to act as significant counter-weight in the scales of power. It remains to be seen, however, whether this preponderance constitutes genuine hegemony in all senses of the word. There are simply too many imponderables to render a confident judgment. Can Europe transform itself into a true United States of Europe? Is the New Economy real and here to stay? Is resistance to globalization a passing nuisance or a major, limiting factor? Can high-technology create ways to police the world without placing American military in harm’s way? Will the American State remain wedded to global deregulation or rediscover some new financial architecture to manage the market when the market cannot manage itself?

Those are uncertainties that systemic theory, like any extant theory, can only look through a glass darkly. It can identify certain tendencies and postulate alternative possibilities, but cannot credibly forecast the outcome. Systemic theory, however, can help us look backward in more illuminating ways, armed with vocabulary, categories, paradigms, and insights that light the way. And even if it cannot predict the future, it can help us to ask the hard questions about that future – an intellectual assistance far superior to the ahistorical conceit of prophecy.

Reference