JWSR MINI-SYMPOSIUM:
Peter Gowan & The "Capitalist World-Empire"

ABSTRACT:

This paper evaluates Peter Gowan's musings on the topic of a U.S.-centered "capitalist world-empire." Gowan's heterodox concept of a "capitalist world-empire" is intellectually defensible. And his claim that U.S. hegemony is historically unique, because unlike previous dominant powers the U.S. has been able to distinctly mold the accumulation regimes and security environments of its would-be rivals in the core, is more than convincing. However, Gowan tends to overstate the degree to which the U.S. in the 1990's enjoyed a productive sector revival, rather than a mere super-inflation of dollar-denominated assets. This tendency prevents him from anticipating just how summarily the U.S. would ditch consensual approaches to managing the capitalist world-economy once the Wall Street bubble collapsed, and hence from appreciating just how fed up Western European and East Asian elites would become with the predatory character of U.S. hegemony in decay. In conclusion the paper argues that while the U.S. may have neither the resources nor the credibility to politically control the global division of labor, something akin to a U.S.-East Asian geo-economic bloc may be in the process of forming. This is so because the Chinese and Japanese economic growth models remain wedded to the underwriting of the U.S.' seigniorage privileges, and because past and present frictions between China and Japan stand in the way of tighter Sino-Japanese political coordination.

A Critical Appraisal of Peter Gowan's "Contemporary Intra-Core Relations and World-Systems Theory": A Capitalist World-Empire or U.S.-East Asian Geo-Economic Integration?

John Gulick

Peter Gowan (2004) identifies what he believes to be the defining trait of the post-1945 interstate system: the unprecedented degree to which the primary state power of the capitalist world, the United States, has exercised *political* dominance over the secondary state powers of the capitalist world, notably Western Europe and Japan. Gowan contends that a signal marker of the post-World War II global landscape has been the robust capacity of the U.S. to shape the polities and policies of its *de facto* allies and would-be rivals in the core, and that the impressive extent of its capacity to do so is what fundamentally distinguishes U.S. hegemony from previous hegemonies. Gowan roots the historically novel ability of the U.S. to get the elites of other core states to "follow the leader" and "want what the U.S. wants" in its direct and indirect molding of the regional and world security environments and accumulation structures in which these core states have been ensconced over the past 60 years. For example, in post-war Western Europe the U.S. cultivated the ascension of ruling elites committed as equally to external dependence upon U.S. troops and conventional and nuclear forces for their territorial defense as to internal social democracy; in East Asia, the U.S. orchestrated the formation of client states whose political viability was inextricably connected to privileged access to American consumer goods markets. Crucially, he adds that as its junior partners began to decisively

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threaten its economic preeminence in the 1970's and 1980's, the U.S. deployed the instruments by which it politically dominated the capitalist world to, as he puts it, "prepare the way for its hegemonic restoration in the (capital-intensive) productive field" (Gowan 2004). For example, the U.S. reignited confrontation with the Soviet Union so that its uneasy Western European junior partners would more willingly tolerate the unilateral swinging of the U.S. dollar, a technique it used to foil Western European productive investment planning. In East Asia, the U.S. leveraged its junior partners' ongoing reliance on the U.S. export market to negotiate bilateral "managed trade" agreements in semiconductors and other innovative productive sectors. Gowan claims that by the mid-to-late 1990's, the strategy of the U.S. to resuscitate the fortunes of its high value-added sectors had proven its worth. The pivotal role the *political* dominance of the U.S. played in ostensibly reviving its hegemony inspires Gowan to ponder a highly radical possibility: that a *capitalist world-empire*, with the U.S. occupying its commanding heights, may well be in the process of forming. After convincingly demonstrating that the analytic construct of a capitalist world-empire is neither conceptually incoherent nor logically impossible, Gowan goes on to enumerate the conditions that would have to prevail in order for the U.S. to become a "capitalist world-emperor," including the prevention of deeper European political integration and the prevention of East Asian financial and monetary cooperation.

In underscoring the unusually potent capacity the U.S. possessed—and to a lesser degree, still possesses—to forge the security contexts and the political economies of the secondary state powers, Gowan hits the target. However, with respect to both the pre-1970 period (to which he gives scant coverage) and especially the post-1970 period, Gowan misrepresents exactly *how* the U.S. commingled its hegemonic advantages to keep Western Europe and East Asia politically complaisant. At the necessary risk of oversimplifying, Gowan's wont is to soft pedal how much Western Europe's and East Asia's ruling classes regarded U.S. leadership of the First World as benevolent up until the early 1970's, and to understate the degree to which its primacy since then has taken on a malevolent, parasitic cast. For example, Gowan is on target when he notes that the hegemonic U.S. has only erratically (at best) hewed to the multilateral free trade gospel it regularly preaches to others. But he does not sufficiently underscore that in the 1950's, and to a lesser degree the 1960's, routine departures from the practice of multilateral free trade redounded to the *benefit* of the junior partners of the U.S. in Western Europe and East Asia, who were permitted tariff barriers, capital controls, and prohibitions on foreign direct investment (in the case of Japan) in the name of building up economically vigorous and socially stable anti-communist camps on the flanks of the Soviet Union

and Mao's China.[1] Gowan is right to imply that after such watershed events as its unilateral scuttling of the gold-backed dollar standard, its humbling military and political defeat in Vietnam, and the emergence of its bulging merchandise trade deficit, the U.S. in the 1970's and thereafter consistently "imposed international regimes on other core powers and…[stood] above its own international regimes and [adapted] them to suit its perceived interests" (Gowan 2004:9). However, Gowan does not sufficiently stress the flagrant flouting by the U.S. of multilateral conventions whenever these conventions interfered with its perceived interests is an indicator of the weakness, not the strength, of U.S. hegemony—even when the U.S.' junior partners have had no choice but to abide by the errant behavior of the "hyperpower." For example, the U.S. has condemned the fiscal profligacy of its junior partners while inducing them to finance its own mountainous current account deficits because for the past 20 years the U.S. has been a net debtor—surely an indicator of hegemonic weakness, not strength. This is all the more so because such blatant hypocrisy has come at the expense of a gnawing loss of American legitimacy. Gowan is too mesmerized by the apparent fact that the U.S. can get away with being a predatory hegemon, and not attentive enough to the legitimacy crisis roiling beneath the misleadingly calm surface waters.

One possibility why Gowan ends up downplaying both the charitableness of U.S. hegemony in the pre-1970 period and its rapaciousness in the post-1970 period, is that he entirely leaves out discussion and analysis of U.S. domestic politics—namely, how the changing substance of policy alliances between the U.S. state and different sectors of U.S. productive capital eventually prodded the U.S. to beggar its European and East Asian neighbors while simultaneously voicing bromides about the universal virtues of open markets. In the 15 or so years after World War II, when even its smaller, backwards manufacturing firms could meet or beat world market prices of production, the U.S. state had considerably little trouble cobbling together domestic political coalitions in favor of rebuilding Western Europe and Japan by granting their economies and firms various exemptions, favors, and privileges. When push came to shove, even the isolationist wing of the Republican Party (the so-called "Taft" wing) reluctantly lined up in favor of economically aiding the post-war allies of the

[1] In tracing the past, present, and future of U.S. hegemony, including the possibility of a U.S.-dominated capitalist world-empire, Gowan entirely leaves out discussion and analysis of how U.S. domestic politics has shaped and will shape the trajectory of its dying hegemony—at his peril, I would argue.

U.S. and their capitalist enterprises, because it could all be sold as part of the heroic twilight struggle against "godless communism" (Block 1977). But in the wake of the long-term decline of U.S. manufacturing competitiveness (especially in relatively labor-intensive sectors), followed by the demise of the Soviet Union, the U.S. state could no longer count on the support of smaller, backwards productive capital for even the bastardized, almost mercantilist form of "free trade" it espouses, much less for the kind of "generosity" it extended to Western Europe and East Asia in the glory years of its hegemony. At the same time, a steadily growing tide of wage goods imports from East Asia (namely China) are actually pivotal to the prolongation of U.S. world-systemic primacy, not in the least because a big portion of East Asian (and Chinese) export revenues are recycled back to the U.S. as government bond purchases, enabling the U.S. to finance its "pre-emptive wars" in Central and West Asia in particular and to ramp up federal spending while cutting corporate and upper-income taxes in general. U.S. hegemony (such as it is) is thus caught between a rock and a hard place, between the lodestone of U.S. neo-imperialism in East Asia (*i.e.*, retaining East Asia's fealty to the pure dollar standard) and an increasingly vocal domestic constituency that favors a combination of East Asian currency revaluation and "America first" protectionism—as the present Bush the 43rd Administration is uncomfortably discovering.

To be sure, in a narrow sense present European and East Asian disenchantment with predatory U.S. hegemony is clearly a byproduct of the aggressively unilateralist foreign policy posture assumed by the Bush the 43rd Administration, epitomized by the adoption of the "pre-emptive war" doctrine and the Anglo-American invasion and occupation of Iraq. Given that Gowan originally drafted "Contemporary Intra-Core Relations and World-Systems Theory" before the likes of Cheney, Rice, Rumsfeld, and Wolfowitz took the reins of U.S. foreign policy, it might seem anachronistic and hence absurd to fault Gowan for failing to discern just how dissatisfied with U.S. dominance Western Europe and East Asia have become. But the recent unilateralist and bellicose foreign policy turn of the U.S. is not reducible to the distinctive ideological and strategic vision pitched by the hawks and the neo-cons in and around the National Security Council of Bush the 43rd and the Pentagon, nor to the pecuniary interests of those sectors of capital most closely linked to the Administration (*i.e.*, the hydrocarbon energy transnationals and the armaments and security service contractors). The crisis of world-systemic leadership into which the Bush 43rd Administration has thrust the U.S. is inextricably tied to the crisis of the ultimately doomed financial expansion of the mid-to-late 1990's, an expansion piloted by nominally multilateralist predecessors of Bush the 43rd. When the unsustainable dot-com, NASDAQ, and Dow Jones bubbles predictably collapsed in 2000 and 2001, the U.S. could no longer forestall its inevitable decline by attracting Western European and East Asian purchases of corporate securities in order to cover its yawning balance of payments deficit. With the pinpricking of the bubbles, the probability that the U.S. would attempt to defend its world-systemic primacy by leaning on its lone remaining strength—its unmatched ability to project force in geostrategically significant "trouble zones" outside the Global North—crossed a critical threshold.[2]

What is the relevance of recognizing that the recent foreign policy of the U.S. is a determinate result of the exhaustion of a mode of hegemony predicated upon the extreme overvaluation of financial assets? In essence, understanding that the former was an entirely predictable outcome of the latter enables us to detect multiple weaknesses in Gowan's thesis. It might not be reasonable to expect the Gowan of some three years ago to accurately foresee the degree to which the U.S. would embrace a brazenly unilateralist and bellicose foreign policy, or the level of antagonism between the U.S. and its junior partners in the capitalist world which has accompanied this foreign policy shift. However, it is indeed fair to criticize the Gowan of three years ago for neglecting to notice the degree to which the hegemonic resurgence of the U.S. in the 1990's was jerrybuilt upon a Wall Street house of cards. By implication, it is equally fair to criticize him for not appreciating the likelihood that the U.S. would resort to strong-arm tactics to shore up its embattled hegemony when the house of cards ineluctably came crashing down, jeopardizing the legitimacy Western Europe and East Asia had grudgingly extended it during the 1990's when multilateral consensus about the merits of "globalization" was in vogue.

Gowan correctly asserts that the U.S. enjoyed a relative power revival in the 1990's, but he overestimates the extent to which the reinvigoration of U.S. productive capital paralleled and was bolstered by this power revival. The aforementioned bursting of the bubbles and the ensuing revelation of widespread accounting fraud put the lie to the myth that U.S. productive capital had vanquished the Western European and East Asian competition in cutting-edge

2. While the constitutionally ambiguous election of Bush the 43rd and the attacks of September 11 clearly accelerated the rate and heightened the zeal with which a Pentagon solution to the balance of payments impasse was implemented, arguably that wing of the U.S. ruling elite wedded to the "Washington Consensus" during the go-go 1990's might have been cornered into seeking a similar solution. Klare argues that while the attacks of September 11 provided the Bush the 43rd Administration with a viable rationale for quickening the pace at which the U.S. exerted its military muscle in Central and West Asia, this process was initiated by the Clinton Administration. See Klare (2003).

sectors such as advanced business services, high-technology equipment, and telecommunications (Brenner 2002:129–130; Elliot 2003; Stiglitz 2003). Gowan acknowledges that the apparent health of U.S. high value-added enterprise was boosted by liquid capital fleeing East Asia after the meltdown of 1997–98, but he does not take the next step and dissect how the late 1990's securities bubble, aided and abetted by balance sheet gimmickry designed to meet the quarterly growth expectations of investors, masked an actual downturn in U.S. corporate profitability. Gowan's partial mistaking of the Wall Street bubble for a real boom leads him to overestimate the positive contribution the productive sector revival made to the girding of U.S. hegemony in the 1990's, and correspondingly to underestimate just how much its hegemony during this period was propped up by the world-economy's continuing allegiance to the pure dollar standard—backstopped in the last instance by the near-monopoly of the *U.S.* over the military means of destruction. Likewise, Gowan's misapprehension of the speculative and illusory character of U.S. economic performance during the 1990's prevents him from understanding just how fragile U.S. hegemony is, and from anticipating just how summarily the U.S. would shed the benign and cooperative aspects of capitalist world leadership once global investors began to exit Wall Street.

Because he does not realize just how much the hegemonic restoration of the *U.S.* in the 1990's was based upon the retention of seignorage privileges that have now been gravely imperiled by the demise of the Wall Street bull market, Gowan tends to be too sanguine about the prospect that the U.S. will transcend the normal oscillation of great power rise and fall by shepherding both Western European and East Asian big capitals into the creation of a capitalist world-empire (although admittedly, Gowan does not seem to consider this a high probability outcome). One high-profile response the U.S. has taken to the collapse of the bubble is to aggressively mount trade wars aimed expressly at the big businesses of the secondary state powers (in the aerospace and steel industries, e.g.), which hardly inspires their confidence in the U.S. as a universal champion of their right to accumulate capital (DuBoff 2003). In reaction to the naked unilateralism U.S. ruling elites have employed *out of necessity* in the post-bubble years, almost *all* of the erstwhile allies of the U.S. in Western Europe and East Asia are eager to gain a qualitatively new quotient of freedom from the structural power of the malign hegemon, despite whatever lip service they pay to the contrary. What sets them apart from one another is not varying amplitudes of subjective willingness to follow the U.S, but rather varying amplitudes of objective capability to resist doing so. East Asia's objective capability falls well short of that of Western Europe, owing largely to its unshakeable reliance on both the basic scientific research infrastructure and the export market of the U.S., the latter a stubborn half-century curse that makes it precariously vulnerable to the maneuverings of the Federal Reserve and Treasury Department of the *U.S.* (as Gowan wisely notes).[3] And to put a dialectical spin on it, what additionally distinguishes the erstwhile allies of the U.S. from one another is the objective capability of the U.S. to twist their respective parries to its own advantage (i.e. to the prolongation of its own dying hegemony). On this score, East Asia's counterthrusts boomerang to its own disadvantage much more so than those of Western Europe do. For example, the U.S. gingerly appeases the demands of Japanese neo-nationalists for offensive rearmament (in violation of Japan's post-war "peace constitution") because it suspects that developments in this direction will stand China's hair on end and raise barriers to independent monetary, financial, and geopolitical cooperation in East Asia (Suryanarayana 2003). In other words, although Gowan sagely understands that the U.S. has been able to hang on to its world-systemic primacy by gaming the rules of intra-core relations in a manner that constrains the strategic options of its would-be rivals, he does not analyze sufficiently how the U.S. has been able to cushion the negative effects of its would-be rivals exercising what they believe to be autonomy-enhancing initiatives—or where the U.S. will *not* be able to cushion these negative effects in the near future.

I do concur with Gowan's argument that the notion of a capitalist world-empire is neither intellectually dissonant nor hypothetically implausible. Gowan is absolutely on point when he argues that a putative "capitalist world-emperor" need not depose the formal sovereignty of other economically advanced and demographically weighty states, only that it suppress through coercion, persuasion, and (most importantly) rigging the rules of engagement initiatives that imperil its political centrality. World-systems scholars such as Wallerstein (1999) and Arrighi and Silver (1999:271–289) have recently lent credence to the idea that historical capitalism may be reaching something of an impasse, and that in coming decades long-established patterns of hegemonic succession may no longer apply. For this and other reasons, Gowan's willingness to at least entertain the prospect of a capitalist world-empire with the U.S. at its helm seems perfectly justified. But Gowan's incomplete interpretation of exactly how the U.S. used its hegemonic advantages to lengthen its moment in the sun prevents him from fully recognizing just how unlikely it is that the U.S. will be up to the task of simultaneously cordoning both Western Europe and East Asia into a truly global capitalist world-empire (i.e. one congruent with the scale

3. On the stubbornness of this half-century curse, see Cumings (1999:205–226).

of the global division of labor itself). In my estimation, the disruption of past patterns of hegemonic succession will not yield a genuinely planetary capitalist world-empire with the U.S. sitting at its apex. Rather, I forecast that we will witness the rearrangement of the capitalist world-economy's current tripolar setup into two well-defined and competing, but not wholly exclusionary, blocs: the U.S. and East Asia, on the one hand, and Western Europe (especially the Franco-German core of the European Union) and Russia (especially Russia west of the Urals), on the other.

Each of these blocs will feature characteristics vaguely resembling those in Gowan's capitalist world-empire, but neither of them will envelop the complete span of the global division of labor. The contours of these blocs are already faintly evident and will harden over time as the U.S. confronts two inescapable realities. The first is that Europe poses the most salient threats to the twin pillars of the waning world-systemic primacy of the *U.S.* The very recent emergence of the euro currency threatens the exceptional status of the dollar in international monetary arrangements, credit markets, and trade transactions (Henderson 2003; Sommers 2003) and the increasing Franco-German disaffection with NATO threatens the capacity of the U.S. to fracture conceivably autonomous security structures in wealthy zones of the world-economy by means of what Gowan aptly calls "hub-and-spokes" alliance networks.[4] What is more, fearing that the secular elevation of the euro will lead to permanent loss of export markets and permanent stagnation, the EU could very well respond by scrapping the fiscal strictures of the Stability and Growth Pact and gearing its economy toward internal accumulation, in the process offering other regions of the world-system a coherent blueprint of an alternative to the neo-liberal model of economic management that unevenly rewards U.S. rentier capitalists.[5] On top of all this, a durably stronger euro carries frightening geopolitical implications for the U.S.: it will allow Western and Central Europe to wean itself from cheap oil controlled by U.S. client states and protectorates in the Persian Gulf and to pay for more expensive oil imported from Russia, which in turn will induce Russia to deepen the diplomatic (and possibly military and security) bond it forged with the Franco-German core during the run-up to the Anglo-American invasion of Iraq.[6]

The second reality is that East Asia is home to the two states that possess the liquidity necessary to underwrite the mammoth balance of payments deficit of the U.S. (Japan) and the growth rate necessary to accommodate the expansionary imperatives of the transnational corporations (TNC) of the U.S. (China), but do not possess the political unity necessary to resist the concerted campaign of the U.S. to open their financial markets and producer services sectors to the predatory impulses of Wall Street, a crucial facet of the larger campaign of the U.S. to retain some semblance of its current seignorage privileges. That the U.S. can and will turn to East Asia to ward off the coming European challenge is the more-or-less successful result of more than 50 years of U.S. foreign policy in the region, archly designed with the purpose of foiling economic cooperation between Japan and China for fear that such cooperation would lead to political trust and partnership between the two states. The hidden history of post-World War II state formation in East Asia reveals that U.S. executive administrations from Truman to Bush the 43rd have long stymied trade and investment linkages between Japan and China independent of U.S. auspices. In the early 1970's, when mounting frustration with nascent U.S. protectionism spurred the Japanese government and Japanese firms to pursue deeper trade and investment ties with post-Cultural Revolution China, the U.S. undercut the trend by restoring diplomatic relations with China and inviting China to rejoin the capitalist world market under U.S. escort (Halliday and McCormack 1973:131, 212–213; Schurmann 1974:556–558). In the decade that followed the negotiation of the Plaza Accord (1985–1995), when the skyrocketing value of the yen relative to the dollar unleashed a tide of foreign direct investment in the semi-periphery and periphery of East Asia by Japanese TNC's, the pegging of Southeast Asian currencies to the plummeting dollar ensured that most of this burst of Japanese investment ended up in Southeast Asia, not mainland China (So and Chiu 1995:222–223). Moreover, when U.S. hysteria about the Japanese economic threat reached its peak in the late 1980's and early 1990's, the U.S. exploited the tragedy of the Tianenmen Square massacre to slow the flow of foreign direct investment in China (So and Chiu 1995:272). By the time foreign direct investment began to gush back into China at an unprecedented rate, Japanese firms were coping with the unpleasant aftereffects of the collapse

4. On the growing irrelevance of NATO to the Franco-German core of the EU, even prior to the Anglo-American unilateralist assault on Iraq, see Kupchan (2002). In a separate article Gowan (2003) more thoroughly lays out the "hub-and-spokes" system of U.S.-centric international relations.

5. In fact, there are already early indications that such a tack is underway in the EU. See Thornton (2003).

6. On how and why such a partnership between the EU and Russia would pose a deadly challenge to U.S. hegemony, see Wallerstein (2002) and Gowan (2003:47).

of the Japanese real estate bubble, itself a predictable outcome of the yen revaluation foisted on Japan nearly ten years before (Brenner 2002:155).

What was becoming clear as U.S. hegemony first began to hit the skids in the early 1970's has become a truism today: while East Asia is a more formidable productive sector challenger to the U.S. than is Europe, the geopolitical atmosphere of East Asia is more readily manipulated by the U.S. than is that of Europe. The principal tool for so doing is the U.S.-Japan security alliance, long the fulcrum of U.S. hegemonic power in East Asia and formally renewed in 1999 (Feffer, 2000). On the one hand, the redrawn agreement essentially perpetuates the subordination of Japanese defense policy and Japanese security itself to the global and regional aspirations of the U.S. , stoking Chinese acrimony toward Japan (Johnson 1999:246). On the other hand, in partial deference to festering Japanese neo-nationalism, the guidelines of the refashioned pact also permit Japan's so-called "self-defense forces" to roam and conduct missions beyond Japanese shores, thus raising Chinese hackles about Japanese offensive rearmament (Feffer 2000:51). The result of this strategy, a persistently tenuous bilateral relationship between China and Japan, fatally compromises their ability to institutionalize joint cooperation in the realms of monetary, financial, and defense policy, undermining the possibility of East Asian multilateralism inimical to U.S. regional and global designs.

A prominent concern of the U.S. is that China and Japan, whose respective central banks are the top two purchasers of U.S. Treasury bills and hence the top two underwriters of U.S. government debt and sponsors of the global militarism of the U.S., continues to hold the lion's share of their bottomless currency reserves in dollar-denominated liquid assets (Wolf 2003). So long as China and Japan keep their end of the bargain and play along with the *de facto* dollar standard that exempts the U.S. from living by the precepts of neo-liberal austerity that it endorses and tries to impose on all others, the U.S. tolerates Chinese and Japanese economic policies that at least partially appear to endanger the hegemonic imperatives of the U.S. but in fact do not. Many commentators suggest that China, aided and abetted by the stampede of U.S. TNC's that are relocating or subcontracting labor-intensive production to China, is chipping away at the world-systemic primacy of the U.S. by keeping the dollar-yuan exchange rate artificially low, dumping mountains of low-cost consumer goods on the U.S. market, and boring out what remains of the U.S. industrial base (Hiebert 2003). However, while a few backwards sectors of U.S. productive capital may be harmed by the precipitous emergence of China as the "workshop of the world," if anything U.S. hegemony has been strengthened, not mitigated, by this recent development. First and foremost, this is because most of the revenues deriving from China's colossal merchandise trade surplus with the U.S. are plowed into dollar-denominated bonds (both public and corporate) and securities, thus reinforcing one of the two remaining levers of U.S. world-systemic primacy, the *de facto* dollar standard. What is more, the artificially low dollar-yuan exchange rate allows U.S. TNC's to set up shop in China cheaply, U.S. productive capital to buy inputs made in China cheaply, and U.S. firms that employ workers who buy consumer goods made in China cheaply to hold down the wage bill—all of which eases stress on the thin profit margins of U.S. productive capital (Restall 2003).[7]

It naturally follows from the formula of U.S.-East Asian geo-economic integration outlined above that the U.S. expresses little or no consternation about the rising trend of Japanese TNC's relocating or subcontracting their labor-intensive production to China. Far from representing the construction of an autochthonous East Asian accumulation bloc centered on Japan and China, Japanese FDI in China enlarges the pool of profits ultimately invested in dollar-denominated liquid assets. Whether the growing streams of semi-finished and finished goods assembled in China under the auspices of Japanese TNC's are sent to Japan, the U.S., or a third destination, a big portion of the greater mass of export revenues consequently accruing to China end up in dollar-denominated financial instruments and buttress U.S. seignorage privileges. And because the U.S. is, in the last instance, the guarantor of the dollar-yuan protocol that enables strapped Japanese TNC's to restore their world market competitiveness by utilizing China as a low-wage, medium-skill export platform, Japanese political elites are obligated to yield on at least some neo-liberal economic reforms they are loath to adopt. For example, with Prime Minister Koizumi's blessing, Japan's top economic ministry has permitted titanic Wall Street investment houses to snap up shares in Japanese banks heavily bogged down with non-performing loans (Ibison 2003). Among other things, this will augment the influence that U.S. finance capital has over the restructuring of troubled and insolvent Japanese corporations—including their possible consolidation, sale, or closure, as well as changes in their mode of governance (Ibison 2003).[8] An increase in the inventory of debt-compromised economic resources that Wall Street has within its grasp certainly has positive ramifications for the *de facto* dollar standard and thus the prolongation of U.S. hegemony, as does

7. According to one estimate, 75 percent of China's export growth in recent years can be attributed to TNC's using China as a low-wage and low-and-medium-skill production platform in their respective global value-added chains.

the piecemeal remodeling of post-war Japanese capitalism to fit Washington Consensus standards more broadly.

To bring the analysis full circle, what adds punch to the U.S. having so much sway over the "two steps forward, one step back" neo-liberalization of Japanese capitalism is Japan's continuing foreign policy slavishness toward and security dependence upon the U.S., which reproduces China's suspicion toward Japan. Enmity between China and Japan effectively bars the two giants of East Asia from erecting the EU-style monetary architecture that would shelter Japanese banks specifically and Japanese capitalism more generally from the predation of U.S. financial institutions. In sum, while Gowan adeptly enumerates the scenarios the U.S. would have to avoid in order to transform its global monetary, financial, and geopolitical dominance into a *bona fide* capitalist world-empire, he neglects to note that Western Europe is progressively frustrating these scenarios, whereas East Asia is not. Thus Gowan is unable to detect the subtly shifting lineaments of alliance and rivalry in the capitalist world-economy at present, and to predict the emergence of the U.S.-East Asia and the Western Europe-Russia blocs that I envision forming.

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