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Is American power declining?

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I. INTRODUCTION

According to popular understanding, America rose to the forefront of the international system when the fall of the Berlin Wall (1989) marked the end of the Cold War era singling America out as the world's only superpower. However, although no serious scholar whatever his/her background dares underestimate the significance of the Cold War and the bipolar nature of the international system during this four-decade phase of history, America's share of the global economy actually reached its peak during the 1950s in the midst of the Cold War and shortly following the end of the Second World War. Ever since then, it is a matter of fact that America's share of the global economy has been gradually declining, as confirmed by a multitude of indicators.

In the 1970s, in the wake of the abandonment of the Gold Standard (1971), the oil crisis and ensuing stagflation that followed in the American economy (1973), and America's failure in the Vietnam War (1975), numerous scholars, most notably Charles Kindleberger, argued that America has entered a phase of hegemonic decline. Throughout the 1980s and thereafter, those views on American decline have been shared by various scholars from different backgrounds, most notably hegemonic stability theorists, classical and neo- realists and world-systems theorists. However, other scholars refuted this assertion claiming, albeit for different reasons, that American power is actually stable if not increasing.

As such, as the Cold War drew to an end, the real debate in the international relations, political economy and economic history literature, pertaining to American power, was not

whether America was ascending to hegemony but rather whether it was descending from it. The major proponents of American decline include Charles Kindleberger, Stephan Krasner, Robert Gilpin, Robert Keohane, Immanuel Wallerstein and Paul Kennedy; faced by opposition from the likes of Susan Strange, Bruce Russet and Joseph Nye, who assert that American hegemony remains stable.

The 'declinists' mainly argue (a) that America's share of the world's wealth and power have declined and are continuing to decline from their 1950s levels, (b) that America is suffering from huge trade and budget deficits, and (c) that it is suffering from imperial overstretch. Their rivals, conversely, argue (a) that America' share of the global economy has declined relative to other economic powers mainly as a result of the reinvigoration of Western Europe and Japan after the end of the Second World War (actually an American foreign policy objective during the Cold War) and lately as a result of the growth of developing country economies (especially China), (b) that America continues to retain significant forms of power ('structural power' and (potentially) 'soft power') even though its power resources might have relatively declined, and (c) that there is no clear challenger to American hegemony, as Europe lacks the will, and China and Russia the ability, to challenge America, at least on the short to medium term.

Major events on the international political and economic arenas, such as the fall of the Berlin Wall (1989), the liberation of Kuwait by an American-led international coalition in the Second Gulf War (1991), the September 11th attacks (2001), the American nearly unilateral invasion of Iraq (2003), and most recently the financial meltdown in the American economy

(2008), have sparked renewed interest in this debate, whether in the direction of adding confidence in the longevity of America's hegemony or in the opposite direction of increasing anxiety over America's predicament.

Undoubtedly, the financial crash of 2008, which hit the American economy very hard, has renewed interest in the topic. Although, as events unfolded, the United States recovered faster than many expected, the financial meltdown serves as a reminder that America's power, which is founded on a vibrant economy, is more volatile than what is sometimes generally assumed, much like the September 11th attacks highlighted America's vulnerability in the security realm.

From the empirical standpoint, the declinists' assertion that America's share of the global economy, relative to those of other actors, is declining from its 1950s level is true; and this is a general pattern that does not relate to any particular financial crisis. However, the real problem that this research attempts to analyze is determining the effect, if any, said relative decline in America's power base has had, and continues to have, on America's actual power in the international system and global economy.

Determining whether or not American power is on the decline is of paramount importance in formulating a clear understanding of international relations and the global economy for numerous reasons, and mainly because, according to declinist literature, (a) American hegemonic decline explains instability in the global economy and calls for predicting even greater instability, and (b) American decline, and more particularly American anxiety over

decline, is most likely going to result in a serious challenge to American hegemony and hence to instability in the international system, if not a great power war or the collapse of the international system as we know it.

Conversely, if the assumption that American power is declining is refuted, then (a) the causes of instability in the international system and global economy must be explained in a different manner, and most likely in light of American policies which create, and sometimes willingly, such instability, and (b) the predictions of the disintegration of American hegemony and/or the international system must be called into question.

It is also important to understand that the debate between the declinists and their opponents is not merely theoretical, as it is also a debate over American policy and, especially, the directions the U.S. should take in formulating its foreign policy. The belief in the decline of American power is, more often than not, used as a pretext for the unilateralism and/or isolationism needed to avoid such decline, while confidence in the longevity of American hegemony calls for more American openness and responsibility to the world.

II. LITERATURE REVIEW AND THEORETICAL FRAMEWORK

There are several important theoretical approaches to the question of hegemony and power in the international system and global economy, most notably hegemonic stability theory which focuses on the interplay between hegemony and global economic stability, Paul Kennedy's "realist" approach to the history of international relations emphasizing on patterns for the rise and fall of great powers, and Immanuel Wallerstein's "systemic" approach which is more focused on patterns in the international system as a whole.

A. HEGEMONIC STABILITY THEORY AND ITS REVISIONS AND CRITICISMS

Any discussion of American power, or potential hegemonic decline, cannot ignore the rich literature on the theory of hegemonic stability, which in fact is the dominant discourse on the issue. Perhaps, David Lake's remarks on this theory best describe it as an attempt to explain "periods of relative international openness" through the "existence of a single dominant economic power".[1]

Two of the earliest proponents of this theory are Robert Gilpin and Stephan Krasner, who both stress that "hegemony is prerequisite to the emergence of a liberal trade regime".[2] According to Arthur Stein, Gilpin's approach is based on the argument that a hegemon's power is based on economic efficiency (therefore guaranteeing it the most gains from free trade) and political/military power (resources used to induce or coerce others into adopting

[1] Lake 1991, 106.
[2] Stein 1984, 357.

free trade).[3] In other words, only a hegemonic power is in a position whereby free trade is both desirable and achievable.

An example of Gilpin's approach is how he stresses that multinational corporations, far from being a threat to American hegemony, exist because the United States has created the "necessary political framework" that enabled the "technological" and "economic" factors that brought them into existence to operate, and his subsequent conclusion that this predominantly "American phenomenon" would seize to "reign over international economic relations" if American power is challenged.[4]

Another important figure in the development of this theory is Charles Kindleberger. One of the main issues he brings forward is the differentiation between the concepts of "leadership" (legitimized through "persuasion" rather than "domination") and that of "coercion / exploitation" as the central theme of hegemony.[5] He also argues that the international system during the period of American hegemony, although organized through "international institutions" on the surface, was in fact maintained through American leadership.[6] In addition, Kindleberger emphasizes the merits of "benevolent despotism", and stresses on the huge costs ("undue share of burdens of international public good", to use his words) to the hegemon of maintaining such benevolence, and the difficulty to resist the temptation to move

[3] Ibid.
[4] Stein 1984, 404-19.
[5] Kindleberger 1976, 31-4.
[6] Ibid.

towards "illegitimate" and "exploitative" dominance, leading to the loss of leadership in the process.[7]

An important distinction, however, needs to be made between Gilpin and Krasner on the one hand and Kindleberger on the other hand. The latter emphasizes the "provision of the collective good of international stability" as the main foundation of the causal relationship between hegemony and stability, whereas the first two add the creation of an "international regime" fulfilling the "security needs" (social stability, political power, and economic growth) of nations, particularly the hegemon, as another explanatory variable.[8] Consequently, Kindleberger's definition of the international economic structure takes only one dimension (relative economic size of actors) into account while the other two consider political-military elements as well upon examining the distribution of global economic power.[9]

In spite of their minor differences, the majority of hegemonic stability scholars are of the view that there are two main historical episodes of hegemony: the *Pax Britannica* period of the mid-nineteenth century and the *Pax Americana* period of the mid-twentieth century.[10] They also share a belief that American hegemony is steadily declining, and use the changes in the global political economy of the 1970s decade, especially Dollar devaluation, as evidence to support this argument.

[7] Kindleberger 1976, 35-8.
[8] Lake 1991, 145.
[9] Ibid.
[10] Krasner 1976, 332.

Actually, the hegemonic stability theory did not arouse much interest before the events of the early 1970s drew scholarly attention to the topic. As David Rapkin puts it, only when hegemonic decline became plausible did this discourse become fashionable.[11] Since then, it has occupied a dominant position in the debate on American decline, rising in significance during periods of stagnation and whenever a challenge is deemed eminent or a challenger serious and retreating from the scene during eras of stability and vitality. And also since then, this approach has been subject to repeated revisions, reservations, and critiques, which need to be explored before the validity of its proponents' conclusions can be examined.

One of the drawbacks of the hegemonic stability theory, highlighted by David Lake, is its rather superficial assumption of similarity among historical cases of hegemony, particularly *Pax Britannica* and *Pax Americana*, and accordingly the assumption of similar patterns of hegemonic decline. Lake argues that the processes of rise and decline are very different in the British and American cases. He, more importantly, emphasizes the different approach each of those hegemons had/has to promoting free trade: Great Britain's commitment to free trade under all circumstances, as opposed to the American policy of "reciprocity" employed through controlling access to the U.S. market coupled with America's willingness to exert pressure through its international power.[12]

Moreover, Lake asserts that issues such as the "institutionalization of international economic regimes", the "overlap between security and economic issues", and the importance of "foreign direct investment", all point to the fact that international economic liberalism will

[11] Rapkin 1990, 1.
[12] Lake 1991, 114.

survive independent of American hegemonic decline, unlike its decay parallel to British decline.[13] This is an example of the liberal response to the hegemonic stability theory. Liberals argue that international regimes have a life of their own, and therefore they conclude that the current global free trade regime can survive past American hegemony.

In a rather clever endnote, Lake implies that simplistic readings of history can lead to the adoption of aggressive trade policies and isolationism.[14] He recognizes that a dangerous correlation between theory and policy sometimes exists, whereby theory could very well be developed as a pretext for forwarding particular policies or strategies. Hence, he draws attention to the possibility of questioning the integrity of the hegemonic stability approach.

Another major critique of the theory is that of Arthur Stein. He attacks one of its central foundations: the assumption that hegemonic powers are willing and able to establish an atmosphere of international liberalism. According to him, a hegemon might pursue an isolationist policy for domestic reasons (a factor completely overlooked or at least rarely visited in the hegemonic stability literature).[15] Furthermore, he makes the intelligent point that the role of other players is usually ignored: on the one hand it is not easy to impose free trade upon them by the hegemon, and similarly, on the other hand, the hegemon's decline cannot automatically lead to a global isolationist environment (hegemons, after all, "can close only their borders, not those of others").[16]

[13] Lake 1991, 118-9.
[14] Ibid.
[15] Stein 1984, 359.
[16] Stein 1984, 386.

A few other scholars challenge the hegemonic stability approach through highlighting its deficiency as a universal explanation. For example, upon examining the changes in international economic regimes during the period 1967-1977, Robert Keohane, rather than presenting an outright criticism of the theory, argues that it is more meaningful in explaining changes in some issue areas compared to others. He claims that the decline in U.S. power during said period explains developments in the international oil regime better than the monetary regime, and much better than the trade regime.[17] And, therefore, he calls for enhancing the theory by examining domestic factors and understanding its varying degree of applicability to different issues.

Similarly, upon investigating the liberalization of free trade in nineteenth century Arabia, in an attempt to empirically test the theory, Fred Lawson, reaches the conclusion that the validity of this approach can largely be questioned on the grounds of lack of applicability to cases, in different temporal, and more importantly, regional contexts.[18] He argues that structural frameworks like hegemonic stability should hold under empirical scrutiny, as their nature is supposedly global and all-encompassing. His findings suggest that, contrary to hegemonic stability expectations, trade liberalization in nineteenth century Arabia was a function of regional and global competition rather than hegemonic power.[19] In addition, Lawson provides an alternative explanation for the cycles of trade openness and closure in the Arab region. He argues that British policy towards the region was dictated by a strategy of guaranteeing military and economic security that varied with time, depending on changes in British interests that were not always consistent with free trade.

[17] Keohane 1980, 154.
[18] Lawson 1983, 320.
[19] Lawson 1983, 330.

Accordingly, he reaches two main conclusions: (a) that hegemonic stability is a mainly Eurocentric rather than genuinely universal; and (b) that, in the light of the case he considers, a wider definition of hegemony, which tackles the hegemon's resource manipulation and not only the global distribution of capabilities, is required.

Some other scholars outline major inherent flaws in the theoretical foundations of the hegemonic stability theory, arguing that free trade, as a 'public good', cannot be outlined as the independent variable bringing about the desirability of international economic openness. For example, Peter Cowhey and Edward Long, propose "surplus capacity" as an alternative explanation. According to them, some nations experience excess production in a number of their key industrial sectors, as a result of going through periods of structural adjustment. They argue that during historical phases were several major economic powers simultaneously confront this problem, in a number of key industrial sectors, the likelihood of reaching tacit agreements on protection through bargaining increases.[20] Alternatively, during other periods where this problem is less pervasive, the attractiveness of liberalizing trade is pronounced, and domestic interest groups are relatively ignored. Thus, they are of the view that "surplus capacity" better explains cycles of trade openness and closure compared to the simplistic assumption of a "public good" nature of free trade.

Approaching the same issue, John Conybeare argues that free trade is not always a public good, or the best strategy to pursue by all states, particularly hegemonic powers. He holds the view that as a result of rivalries and inequalities, the extraction of rents from, and may be even the exploitation of, small powers, could dissuade major powers from opting for truly

[20] Cowhey and Long 1983, 162.

free trade (which in that case will be less rewarding).[21] Conybeare, therefore, warns against the detrimental influence of apparently simplistic interpretations of the classical and neo-classical free trade literature on the hegemonic stability discourse.[22] Arguing along similar lines, Joanne Gowa claims that "security externalities" of decisions on whether or not to pursue free trade policies have to be put into consideration.[23] She draws attention to the fact that the key role of security issues is largely left out of the hegemonic stability framework, although they are of paramount importance to trade liberalization.

Two other major critics of the hegemonic stability theory, who both challenge some of its major underlying assumptions more directly, are Duncan Snidal and Bruce Russet. Snidal attacks the theory's postulation of an "equitable distribution of benefits" from international economic liberalism or, in short, the "publicness of cooperation".[24] He argues that hegemonic stability has benefited industrial nations and "sectoral" monopolies (such as oil-producing states) more than "Third and Fourth World states".[25]

Another point he makes is that the conclusions of those examining American decline mix up "decrease in order" and "decrease in American control over order".[26] Consequently, he argues that hegemonic decline (leading to decline in stability, as the theory would contend) might be remedied through "hegemonic cooperation".[27] Snidal basically claims that the "collective action" of a few major powers can preserve order and stability in the absence of

[21] Conybeare 1984, 13.
[22] Ibid.
[23] Gowa 1989, 308.
[24] Snidal 1985, 315-6.
[25] Ibid.
[26] Ibid.
[27] Ibid.

hegemony. To put it differently, he is of the belief that a hegemonic class of major powers can possibly substitute the hegemonic power in playing a stabilizing role on the global economic scene.

Russet comments similarly on the issue of benefit distribution, contending that in the American case of hegemony, the U.S. had a disproportionate share of the benefits from hegemony (not a disproportionate share of the burdens of its costs, as Kindleberger argues).[28] Building upon this, he argues that those gains (particularly, "cultural hegemony") help the United States maintain its position on the international arena.[29] According to him, cultural hegemony enables the U.S. to "control outcomes" without having to "exert overt control over others".[30]

All of those criticisms are valuable in outlining the weaknesses of the hegemonic stability theory, yet none of them (even Snider's and Russet's), cut to the heart of the matter, by attacking the core of this theory, which is exactly what Susan Strange does. To begin with, Strange is of the view that a "myth" of decline is used to create an atmosphere of pessimism and therefore isolationism, or apathy towards the thus deemed inevitable "lack of international cooperation and feebleness of international organizations".[31] More importantly, she argues that the rise and fall in the significance of this theory can only be understood as a manifestation of the outcome of the battle between "liberal" and "realist" trends in U.S. foreign policy, and therefore she claims that it becomes much more important in periods of

[28] Russet 1985, 208.
[29] Ibid.
[30] Ibid.
[31] Strange 1987, 552-4.

American "isolationism" and "unilateralism", independent of whether American power is actually declining or not.[32] Finally, she casts doubt on the causal relationship between economic instability and hegemonic decline, claiming that the truth of the matter is that American belief in the "myth" of decline (and not actual decline in American hegemony), un-innocently coinciding with periods of isolationist foreign policy, is itself an important cause of instability.[33]

Of equal significance is Strange's critique of regime analysis (a major component of most theories of hegemonic stability). She actually highlights several drawbacks of this analytical approach, but the most important of those is her assertion that it represents a mere "shift of fashion", if not American taste, regarding international relations.[34] According to her, Americans "exaggerate the shocks of the 1970s", portraying them as a loss of a previous stability coinciding with a decline in power.[35] Moreover, she argues that this period reflects the domestic factor (decline in the willingness to intervene) more than the systemic factor ("significant change in the distribution of military or economic power").[36]

As for the decline in the American role in international organizations, she is of the view that the U.S. remains powerful in all "strategic" organizations" (those more meaningful to it in certain issue areas when compared to bilateral negations), only withdrawing control over

[32] Ibid.
[33] Ibid.
[34] Strange 1982, 479.
[35] Strange 1982, 483-4.
[36] Ibid.

"symbolic" organizations of no strategic weight such as the United Nations Educational, Scientific and Cultural Organization (UNESCO).[37]

Strange's criticism, in addition to various revisions and reservations, completely dispels the myth of hegemonic stability: the association of periods international economic stability and free trade with periods of hegemonic power. Empirically, the relation is weak and does not apply universally to all issue areas or regions. Theoretically, the degree of causality is even weaker. Yet, most importantly, there seems to be a devious connection between the hegemonic stability theory and American isolationist foreign policy, which casts doubt on whether this theory neutrally explains periods of isolation, or in truth, justifies them as they are instigated. Consequently, this must also cast doubt on whether American hegemonic decline, an inherent component of this discourse, can be seen in a similar light. In other words, the possibility that anxiety over hegemonic decline is a pretext for expansionist or aggressive American foreign policy cannot be ignored.

[37] Ibid.

B. KENNEDY'S THEORETICAL APPROACH AND ITS CRITICISMS

Another theoretical approach to the question of American hegemonic decline is that of Paul Kennedy. Writing just a couple of years before the collapse of the Soviet Union, Kennedy tackles American decline towards the end of his monumental work: "The Rise and Fall of the Great Powers". To begin with, he identifies two major challenges to the "longevity" of any hegemonic power: (a) balancing between national security requirements and the material means of sustaining them; and (b) protecting "the technological and economic bases of its power from relative erosion in the face of the ever-shifting patterns of global production".[38] Faced with those challenges, he explains, the United States, like previous great powers, therefore suffers from "imperial overstretch", as its international commitments are becoming exceedingly difficult to defend "simultaneously".[39]

Kennedy also makes the important observation that the U.S. "has roughly the same massive array of military obligations across the globe" as it had in the 1950s, "when its share of world GNP, manufacturing production, military spending, and armed forces personnel were so much larger".[40] This of course is a clear example of symptoms of relative decline in American power. However, it should be noted that there could be a significant time lag between changes in the various capabilities of major powers, and their subsequent translation into changes in the international system, bearing in mind that such time lag is indeed one of the most plausible explanations of how the United States was less-than-hegemonic during the

[38] Kennedy 1987, 514-5.
[39] Ibid.
[40] Kennedy 1987, 521.

Cold War when its economic and military capabilities suggested a more dominant role on the international arena.

Moving on with his analysis, Kennedy identifies several specific challenges facing American hegemony: "budgetary constraints" and planning for a "variety of military contingencies" in the military realm, and relative industrial and agricultural decline, as well as running "staggering deficits", in the economic realm.[41] Using his understanding of previous historical cases of hegemonic decline, he thus foresees a U.S. suffering from having to meet "growing foreign challenges" that drain valuable resources, channeling them away from "productive investment", and therefore ultimately resulting in "the downward spiral of slower growth, heavier taxes, deepening domestic splits over spending priorities, and a weakening capacity to bear the burdens of defense".[42]

Finally, Kennedy argues that the extraordinarily huge American share of world wealth and power, which reached forty percent by the end of the Second World War due to peculiar "historical and technical circumstances" was, is, and must continue to be, in decline until it reaches a more "natural" size of less than twenty percent, which would correspond to the actual "geographic extent, population, and natural resources of the United States".[43] However, he asserts that the U.S. is still probably going to play an important role in the multipolar world he expects to emerge in the future, simply because of its sheer size.[44]

[41] Kennedy 1987, 522-6.
[42] Kennedy 1987, 533-4.
[43] Ibid.
[44] Ibid.

Commenting on Kennedy's work, George Modelski begins by challenging his criteria for measuring hegemony that are solely based on notions of relative capabilities of power and wealth. Modelski argues that other sources of hegemony outside of this realm, such as identity, knowledge, and legitimacy (an important factor according to Kindleberger), cannot be ignored. Of course this line of argument is very similar to the aforementioned "cultural hegemony" concept introduced by Russet.[45]

Citing the previous example of British hegemony, Modelski argues that the same hegemonic power can experience several phases of leadership, if the sources for its hegemony change.[46] Therefore, he argues that even if relative decay of material capabilities occurs, decline does not become inevitable because this can be remedied if other sources of leadership exist. With this in mind, he claims that a world-wide process of democratization can provide and is providing a new basis for an American hegemonic role. Contending that that such a process of undeniable magnitude, embedded in a larger process of globalization of norms, is currently reshaping international relations in a very significant way, he argues that the United States is on its way to another period of hegemony because it is the most equipped power on the global scene to manage such a sweeping change.[47]

He also considers some other factors that can possibly bring about such an extension of American hegemony. For example, he asserts that in the absence of serious challengers in the near future (whether a united Europe, Japan, or China), and with the possibility of major

[45] Modelski 1990, 243.
[46] Modelski 1990, 247.
[47] Modelski 1990, 250-1.

power war diminished as a result of the advent of nuclear power, alternative scenarios are indeed limited.[48]

Therefore, Modelski, unlike Kennedy, believes that hegemonic decline is a remote possibility, given that the process of democratization, amongst other factors, will provide the United States with a new basis for a hegemonic role. Actually, this argument has been presented by several other scholars, who do not necessarily have a similar perspective on the matter, yet acknowledge the huge role a global democratization process can play in reasserting American leadership.

One such scholar is William Robinson, who argues that as forces of globalization swept the planet, American policy makers became increasingly aware of the drawbacks of tolerating, accommodating, and in fact sometimes even promoting authoritarianism, which became an inefficient mode of preserving global order. Accordingly, "polyarchy" (far from the true nature of substantive democracy) became a more useful means to attain the same American goals of simultaneously asserting hegemony and maintaining the world system of production and distribution.[49] For very different reasons, Robinson is, therefore, also of the belief that 'pseudo-democratization' (a change in cultural and ideological discourse) can propel America into a new phase of hegemony.

[48] Modelski 1990, 252-3.
[49] Robinson 1996, 72.

Writing in the aftermath of the end of the Cold War and the Second Gulf War, Lea Brilmayer, also asserts the importance of democratization in providing a basis for American hegemony. Holding the view that a moral justification for a hegemonic role is necessary, she claims that the establishment of a "new world order" on the premise of globalizing democracy provides a much-needed justification for a sustained American role on the global arena.[50]

As such, several scholars (whether long-cycle theorists, neo-dependency theorists, or liberals) share the view that some form of democratization can serve as an important source of continued American hegemony. Such a view can challenge Kennedy's conclusion, if hegemony is not merely defined as relative capabilities, and other factors contributing to cultural hegemony, such as ideology, identity, and legitimacy, are considered.

[50] Brilmayer 1994, 167.

C. WALLERSTEIN AND THE WORLD SYSTEMS APPROACH

Employing a world systems approach, Terence Hopkins and Immanuel Wallerstein reach the same widely held conclusion, of American hegemonic decline. They begin their analysis by asserting two important points: (a) that hegemony is a brief phase in the life of the interstate system, and (b) that the U.S enjoyed such a position of power in a "world-economy" and not a "world-empire", starting from 1945.[51] Then, they argue that this American hegemony in the "world-system" began to decline during the period of 1967-73, marking a movement into a new area of a long hegemonic cycle that started from 1873, parallel to a transition from an "expansion A-phase" to a "contraction B-phase" in a shorter Kondratieff cycle pronounced through the deceleration in the pace of "global economic expansion".[52] Therefore, they conclude that this period was the climax of those two intersecting "cyclical curves", while contending that it might also be the pinnacle of another longer curve: the life of the "modern world-system".[53]

Whether or not this particular pattern of movement along those three cyclical curves actually took place is not our primary concern, yet the arguments Hopkins and Wallerstein use to prove and/or explain American hegemonic decline are extremely useful, especially as Kennedy focuses on a universal explanation of the phenomenon of hegemonic decline and understands the decline in American hegemony within the context of his framework for "The Rise and Fall of the Great Powers". And, also because although universal explanations, such as Kennedy's, are sometimes useful, they cannot fully account for how certain phenomena

[51] Hopkins and Wallerstein 1996, 3.
[52] Hopkins and Wallerstein 1996, 9.
[53] Ibid.

occur in certain ways at certain times (in other words, universality sometimes limits the capacity for appreciating or even understanding the particular).

Wallerstein maintains that U.S. hegemony grew steadily for about a quarter of a century after the Second World War, insisting that the "noisy in rhetoric" Cold War was a deviation from a realization of the fact the Soviet Union "did not have anything near the productive strength of the USA".[54] He explains how U.S. hegemony was challenged by the events of the 1967-73 period, first through the "growth in strength of other states in the core zone" such as Germany and Japan, and then through the weakening of American "financial leverage" with the surfacing of "EuroDollars" (Dollars outside direct American financial control due to their location in Europe) and the contraction of U.S. gold reserves leading to the ending of the "gold standard".[55]

One of the focal points of this theoretical approach is the so-called world economic crisis of the early 1970s. This generally refers to the collapse of the Bretton Woods system, whereby the American role was basically one of providing the world with a 'central bank', by printing Dollars as a source of international liquidity and tying up gold reserves to ensure Dollar convertibility to gold (the so-called gold standard). This meant running balance-of-payments deficits and depleting gold reserves, something the United States could not of course tolerate indefinitely. In addition, as foreign Dollar reserves exceeded American reserves, and the phenomenon of EuroDollars (Dollars in European banks) emerged, it became clear that

[54] Wallerstein 1996, 215-6.
[55] Wallerstein 1996, 218.

American financial power decreased. Therefore, in 1971, the U.S. suspended the gold standard and the world economy shifted from fixed to floating exchange rates.

While, this is a clear sign of some decline in American financial clout, nevertheless its significance is somewhat exaggerated. Indeed, the whole issue is seriously blown out of proportion when it is claimed that it marks the beginning of the decline phase in American hegemony. This is particularly the case, given the fact that some scholars interpret those events, as the outcomes of a conscious grand American strategy to reaffirm its global leadership, albeit on different grounds.

Some scholars are of the view, that the U.S., increasingly aware of the limitations of its economic leverage, set out to establish a new basis for a less visible (compared to the two decades after the Second World War) yet equally meaningful hegemony or, according to them, a new world order.[56] They argue that the abolition of the gold standard, the devaluation of the Dollar, the rise in oil prices, and the global inflation that ensued, were all components of a deliberate American policy instigated to forward America's interests vis-à-vis its main competitors, and breakaway from the unnecessary international commitments slowing down its economic growth.[57] Those scholars claim, for instance, that inflation was less pronounced in the U.S. than in Western Europe and Japan, where energy dependency exposed the economic vulnerability of those economies compared to the more self-sufficient American economy. Additionally, they maintain that inflation had a positive effect on the

[56] Fitt, Faire and Vigier, 1980.
[57] Ibid.

competitiveness of American firms, producing a favorable outcome on the balance of trade and the balance of payments.[58]

Of course such an understanding is also as potentially simplistic as the hegemonic decline interpretations, and ignores that several events during this period were truly outside of American control. However, even if there was no deliberate American strategy involved, it is safe to conclude that the U.S. was not forced into relinquishing its extremely dominant role, as much as this was a voluntary choice. Moreover, it is equally plausible that the outcome of this period was a different form of American hegemony, and not a significant hegemonic decline.

[58] Ibid.

D. AN ALTERNATIVE THEORETICAL APPROACH

Each of the theoretical approaches examined in the preceding sections suffers from a major flaw: hegemonic stability theory's central premise of associating of periods stability and trade liberalization in the global economy with periods of hegemonic power does not hold against rigorous empirical and theoretical analysis, Kennedy's approach ignores aspects of hegemony such as legitimacy that transcend assessments of relative capabilities, and the world systems approach significantly exaggerates the economic shocks of the 1970s to reach very far reaching conclusions about the history, present and future of international relations and the global economy.

1. Power vs. Power Resources

A theoretical approach or framework that adequately addresses the complex nature of power and hegemony in the international system and global economy must avoid the attempt to come up with a grand theory that explains general patterns of history, as is the case with the abovementioned approaches, and begin with the more modest goal of formulating a clear understanding of what constitutes power in the international relations context, as there are many ways of defining and describing power in international relations.

According to John Mearsheimer, realists are of the view that state behavior is largely dictated by the material aspects of international affairs.[59] This orthodox view of the realist perspective on power is somewhat simplistic.[60] As a matter of fact, realists have a wider interpretation of power that does not limit power to the material realm. For example, Hans Morgenthau argues that: "power may comprise anything that establishes and maintains the power of man over man ... from physical violence to the most subtle psychological ties by which one mind controls another".[61] For Morgenthau, non-material aspects of power such as "a nation's character, morale and quality of governance" are very important.[62] This is very evident in Morgenthau's following remark: "power …. tends to be equated with material strength, especially of a military nature, I have stressed more than before its immaterial aspects".[63]

Neo-realists, such as Kenneth Waltz, have a narrower conception of power.[64] Waltz identifies the following components of power: "size of population and territory, resource endowment, economic capability, military strength, political stability and competence".[65] Even though Waltz does not ignore some non-material aspects such as political stability and competence, he obviously puts a lot more emphasis on the material aspects of power.[66] The reason for the emphasis by neo-realists, such as Waltz, on material aspects of power is an outcome of their commitment to the so-called 'scientific' realism, which limits them mainly to tangible elements that are easier to quantify.[67] Therefore, although neo-realist tried to be more

[59] Mearsheimer 1995, 91.
[60] Pashakhanlou.
[61] Morgenthau 1965, 9.
[62] Pashakhanlou.
[63] Morgenthau 1965, 9.
[64] Pashakhanlou.
[65] Waltz 1979, 131.
[66] Pashakhanlou.
[67] Ibid.

'scientific' than classical realists or modern realists such as Morgenthau, it is the latter that had a wider and clearer understanding of power in the international relations context.

On the other hand, British historian, Niall Ferguson, who is a neo-conservative, argues that power consists of (a) "… monopolizing as far as possible the means of projection (of power), which mainly include material things: guns, butter, people, money, oil", or what one can call material sources of power; and (b) legitimacy and credibility, or what he calls "morale".[68] Ferguson explains that the material sources of power are becoming more and more dispersed, to the extent that real power depends on legitimacy and credibility.[69] In other words, Ferguson, much like the realists, identifies material and immaterial sources of power, and puts equal (if not more) emphasis on immaterial sources.

However, perhaps the most accurate definition of power comes from the neo-liberal, Joseph Nye. According to him, power, simply put, is the ability to produce certain outcomes.[70] Nye recognizes that power, defined as the ability to produce certain outcomes, is often associated with certain resources that magnify this ability such as population, territory, natural resources, economic strength, military force … etc., and one can also add credibility and legitimacy to this list.[71]

He also adds that power is often inaccurately defined as the possession of those resources, even though those resources do not guarantee the achievement of desired outcomes in and of

[68] Ferguson 2003, 8.
[69] Ibid.
[70] Nye 2003, 74.
[71] Nye 2002-3, 548.

themselves.[72] Putting it rather brilliantly, he identifies those resources as the "high cards" is the "international game of poker", and rightly argues that holding those high cards does not guarantee winning, if the "hand" is played poorly or if the player were to fall victim to "bluff".[73]

This distinction between power and the sources of power is also recognized by Susan Strange and Bruce Russet.[74] Strange also notes that power, defined as the ability to control outcomes, cannot be measured empirically, while power, defined as the possession of the resources reinforcing this ability, can be measured through quantitative indicators.[75] This explains why mistaking power for the sources of power is so commonplace in the international relations and political economy literature.

With the above clear understanding of power and the distinction between power resources and power itself, the declinist argument that the decline in America's relative share of the global economy automatically means a decline in American power is potentially simplistic. For example, Paul Kennedy argues, in a very famous and controversial passage, that "… the geographical extent, population, and natural resources of the United States suggest that it ought to possess perhaps 16 or 18 percent of the world's wealth and power", as opposed to the 45 percent or more it possessed by the end of the Second World War, and that we are currently witnessing the decline of this "extraordinary" share to a more "natural" share.[76]

[72] Ibid.
[73] Ibid.
[74] Strange 1987, 554 and Russet 1985, 208.
[75] Strange 1987, 554.
[76] Kennedy 1987, 533.

This argument has been the subject of huge controversy, as many scholars have sought to explain the relative decline in America's share of the global economy from its 1950s level, by (a) sighting the so-called "Second World War effect" (unlike all the great powers, the United States was actually strengthened rather than weakened by the war), and (b) arguing that this phenomenon is better explained by the expansion of Japan and Western Europe to their "natural" size (the desirable result of a deliberate policy implemented by the United States to check Soviet influence during the Cold War) rather than the shrinkage of America to its "natural" size.[77] Kennedy has actually rebutted this "Second World War effect" argument, claiming that evidence suggests that America's share of the global economy is declining to a level lower than its share in the late 1920s i.e. even prior to the Second World War.[78]

This controversy is rather unconstructive because (a) the phrase "share of the world's wealth", or share of global power resources to be more accurate, is unquantifiable i.e. there is no consensus on what indicators accurately measure this share, and (b) Kennedy is confusing the sources of power ("wealth" to quote him) and power itself, as he is consistently lumping "wealth" and "power" together. It is this confusion that leads Kennedy to make an even more controversial argument in claiming that "… even when it declines to occupy its "natural" share of the world's wealth and power, a long time into the future, the United States will still be a very significant Power in a multipolar world, simply because of its size".[79]

[77] Nye 1990, 514.
[78] Kennedy 1991, 488.
[79] Kennedy 1987, 533-4.

The above argument demonstrates Kennedy's definition of power, as the possession of power resources. He assumes that when America's share in of the world's wealth (power resources) falls to 16 or 18 percent, this would automatically mean that the international system would become multipolar. First of all, the argument that the United States would ultimately shrink to this size is debatable. Far more importantly, the conclusion that this size will result in the United States being a great power among others is groundless. This need not be the case at all. America may still have hegemonic power, in the sense of possessing the ability to produce favorable outcomes in the international system, even if its power resources relatively shrink.

To use Nye's example, if this shrinkage in America's resource base actually occurs, America may (a) still be holding "higher cards" than everyone else in the "international game of poker", and (b) it may be playing better than everyone else even if its cards are not as high as they used to be. Therefore, if a distinction is made between the sources power and power itself, the real question becomes whether or not America has maintained its power, in spite of the relative decline in its power resources.

2. Relational Power vs. Structural Power

Power is best defined as the ability to produce desirable outcomes or to control outcomes. As such, power could mean the ability of a certain actor to get another actor to do something it would otherwise not do.[80] Strange refers to this form of power as "relational

[80] Nye 2003, 74.

power" i.e. the power one actor possesses in relation to another actor.[81] Strange argues that this form of power is losing its significance in international relations, as states are no longer competing for territory as much as they are competing for market shares.[82] Of course this is not to say that force and military security are insignificant; however, the way in which they manifest themselves as sources of power has drastically shifted. Strange contrasts relational power with what she believes is the form of power relevant in today's world, namely, "structural power". According to her, structural power is the ability to shape the structure of the global economy and international system and to set the global agenda.[83] To use Nye's "international poker game" example, structural power would be the ability to dictate the rules of the game itself.

Strange argues that structural power emanates from four sources, namely, (a) the ability to control the security of other actors, (b) the ability to control the system of production, (c) the ability to determine the structure of finance and credit, and (d) the ability to exert the most influence over knowledge.[84] She claims that the United States still possesses a great deal of structural power understood as such.

To begin with, America still dominates the NATO alliance, and it is particularly this asymmetry in the distribution of the security burden in the Western world that enables the United States to dictate the rules of the game vis-à-vis Europe.[85] The same can also be said about America's role in guaranteeing the security of Japan. It is important to note that

[81] Strange 1987, 564.
[82] Ibid.
[83] Strange 1987, 565.
[84] Ibid.
[85] Strange 1987, 566.

Strange was making the above arguments before the end of the Cold War. The preponderance of American military power relative to all other significant economic powers, nevertheless, still remains quite undeniable nowadays.

However, the crucial factor here is not American military power in its absolute sense, but rather whether this power is utilized to guarantee the security of the world's significant economic powers, giving the United States the kind of influence and leverage it had in the Cold War era. In this regard, an important question is how the replacement of the risk of Soviet dominance by other security challenges has affected America's structural power with respect to the security aspect.

With regards to the ability to control the system of production, Strange rightfully argues, that in a globalized world dominated by 'MNCs', it not America's share of production that matters but rather the share of American-based corporations.[86] Writing in 1987, Strange observed that any list of the largest corporations in the world would be dominated by American-based corporations.[87] This observation is still mostly true nowadays in spite of the recent troubles in the American economy, as validated empirically.

It is with respect to the ability to shape the structure of finance and credit that Strange make her finest argument. She concludes, and rightly so, that the predominance of the U.S. Dollar has enabled America to run staggering deficits and remain largely unaffected. As such, those

[86] Ibid.
[87] Strange 1987, 568.

deficits are a sign of America's dominance and not its weakness.[88] The American dominance of financial markets, she argues, is evidenced by the domination of American banks and financial institutions, which hold a huge share of the world's bank assets.[89]

Those arguments remain valid today, and the impact the meltdown in the American financial markets has had on the global economy suggests that America still dominates international financial markets. In any case, America's power in the financial markets should be examined in light of recent events to ascertain whether Strange's arguments in this regard are still valid.

Finally, Strange argues that America is still able to exert the most influence over knowledge. Writing back in the late 1980s, she referred to America's domination of the fields of information technology and telecommunications[90], which as the 1990s unfolded proved to be a remarkably accurate observation, as it was particularly those fields that propelled the American economy to staggering growth in the age of the Internet. Nowadays, evidence is aplenty of the remarkable influence America has on knowledge. American universities are still the highest rated in the world and the United States continues to dominate the Noble Prize, especially in natural sciences.

3. Soft Power and Legitimacy

Scholars from different backgrounds identify legitimacy as a crucial component of power and hegemony. Applying a neo-liberal approach to the matter, Joseph Nye coined the

[88] Strange 1987, 569.
[89] Ibid.
[90] Strange 1987, 570.

term ‘soft power’. He argues that power, defined as the ability to produce outcomes, can be achieved through coercion whether by “force or inducement” (i.e. “sticks” or “carrots”), or through “attraction” (or the “ability to shape what others want”).[91] He labels power achieved through coercion “hard power”, as opposed to power achieved through attraction which he labels “soft power”.

With respect to soft power, Nye warns against the confusion of sources of soft power such as an attractive culture or attractive political values (e.g. democracy and human rights), and soft power itself, which simply put is the possession of legitimacy and credibility.[92] An important example Nye makes of the significance of soft power is his brilliant analysis of the so-called ‘War on Terrorism’, the outcome of which he believes depends largely on the ability of the United States to attract moderate Muslims.[93] In this particular case, the sources of America’s soft power are perhaps not be found in its culture, but rather in the perceived legitimacy of its actions and policies, and it is particularly here where the Bush Administration has failed most miserably, especially by launching the Iraq invasion in 2003.

Another approach to the factor of legitimacy and credibility with respect to power is the Gramscian approach. The starting point of this approach is recognizing the importance of nonmaterial normative bases of power, or in other words, acknowledging the fact that hegemony is usually based on ‘legitimate domination’.[94] Combining the arguments of Max Weber and legal positivists, in an international context, yields two conclusions: (a) that there

[91] Nye 2003, 74.
[92] Ibid.
[93] Nye 2003, 75.
[94] Ikenberry and Kupchan 1990, 49.

is a need to justify power through legitimacy; and (b) that legitimacy is usually conferred through upheld values and norms (dependant on cognitive factors).[95]

This leads to the conclusion that consolidation of hegemonic power emanates from adherence to the normative framework or value structure forwarded by the hegemon.[96] In this respect, Antonio Gramsci, stresses the importance of ideological control and consensus building in legitimizing domination through establishing desirable frames of reference.[97]

According to him, there are three main types of hegemony: (a) integral hegemony where the hegemon is able to simultaneously satisfy its interest and the aspirations of the entire system; (b) declining hegemony where "acute contradictions" exist between the hegemon's interests and those of its subordinates; and (c) minimal hegemony where contradictions exist, yet subordinates are too weak to pose a challenge, and a high degree of consensus is still possible without coercion, particularly through "legitimate domination".[98] Along those lines, Alan Carfuny argues that Keynesianism provided the basis for American integral hegemony in the two decades following the Second World War, and that the global acceptance of the 'Neoliberal Discourse' starting as of the 1990s allows America some measure of minimal hegemony. Therefore, the Gramscian approach suggests that the United States could still be able to preserve a minimal form of hegemony, through the legitimate domination of weak subordinates, owing to their acceptance of its normative values.[99]

[95] Ibid.
[96] Ikenberry and Kupchan 1990, 55.
[97] Carfuny 1990, 103.
[98] Carfuny 1990, 106-7.
[99] Carfuny 1990, 114.

Although the terms 'soft power' and 'legitimate domination', on the surface of things have very different connotations, both terms shed light on the importance of the factor of legitimacy in solidifying or eroding power. The question of whether or not America's legitimacy and credibility as hegemon is on the decline is therefore of crucial importance.

Hence, perhaps the best approach to the question of examining America's power in international relations and the global economy is to assess the degree of structural power the U.S. enjoys coupled with an analysis of the factor of legitimacy and how it can cement or deplete such structural power to achieve American hegemony. This would be in line with Robert Cox's understanding of hegemony, in the international relations context, as a combination of material power, a normative image of world order and international institutions that appear to realize that order in a universal manner.[100] In other words, Susan Strange's structural power approach can be used to have a better understanding of America's position in terms of material power in today's world; however, assessing how this material power, whatever its degree, can be translated into hegemony (as understood by Cox) would ultimately rest on how the U.S. can couple its raw material power with norms and institutions in order to achieve legitimate domination on the international arena.

[100] Cox 1981, 139.

III. AMERICA'S STRUCTURAL POWER

A. AMERICAN SECURITY PROMINENCE

According to Susan Strange, the first, and perhaps the foremost, source of structural power is the ability of the hegemon to control or effect the security of other actors. There are several means of empirically verifying America's prominence in the security realm especially vis-à-vis its allies, but perhaps the most telling measures of this prominence are (a) the sheer size of American military spending, and (b) the U.S. possession of superior military capabilities, especially compared to American allies (most notably, the advanced economies of Western Europe and the Far East, and the oil-rich Gulf states).

With regards to military spending, the next table and figure illustrate the size of the military expenditure for the twenty highest military spending countries of the world.

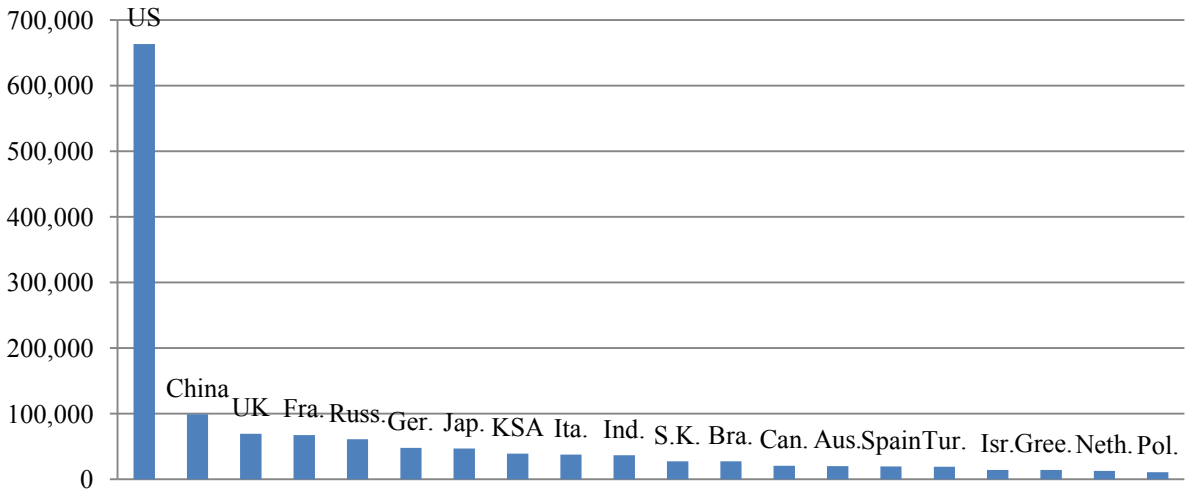
Table 1: Size of Military Expenditure in 2009

Country	**Military Expenditure (US$ million at 2008 prices and exchange rates)**
United States	663,255
China	98,800
United Kingdom	69,271
France	67,316
Russia	61,000
Germany	48,022
Japan	46,859
Saudi Arabia	39,257
Italy	37,427
India	36,600
South Korea	27,130

Brazil	27,124
Canada	20,564
Australia	20,109
Spain	19,409
Turkey	19,009
Israel	14,309
Greece	13,917
Netherlands	12,642
Poland	10,860

Source: Stockholm International Peace Research Institute (SIPRI) available on http://milexdata.sipri.org/files/?file=SIPRI+milex+data+1988-2009.xls

Figure 1: Size of Military Expenditure in 2009 (in US$ million)



As demonstrated above, as late as 2009, the United States was by far the largest military spender in the world, with a military expenditure that is almost an order of magnitude larger than that of China, its closest rival. Of particular significance is the fact that America has a military expenditure that is about ten times or higher that of its top military spending allies, such as the United Kingdom, France, Germany, Japan, Saudi Arabia, Italy and South Korea. This points out to the hegemonic nature of America's security relations with its allies, which seem to rely, at least in their military spending patterns, on America's providence of their security, whether in whole or in part.

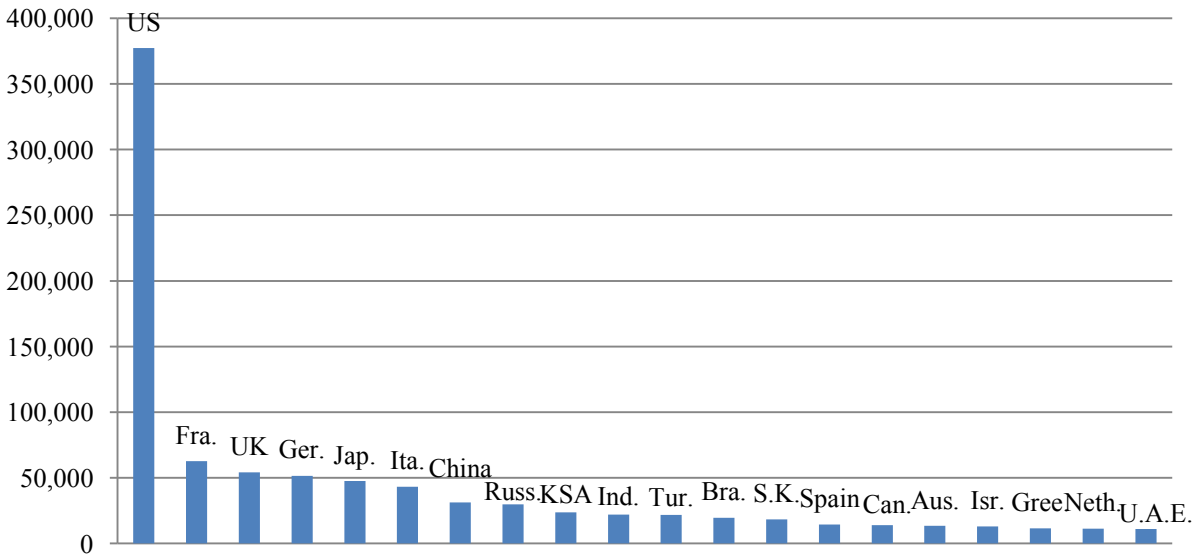
The next table and figure illustrate the same pattern based on the data for the year 2000, revealing, that in terms of military spending, American dominance in the field of security has far from declined, and that it might have even increased over time, at least in recent years.

Table 2: Size of Military Expenditure in 2000

Country	Military Expenditure (US$ million at 2008 prices and exchange rates)
United States	377,228
France	62,707
United Kingdom	54,055
Germany	51,487
Japan	47,496
Italy	43,150
China	31,200
Russia	29,700
Saudi Arabia	23,523
India	21,874
Turkey	21,758
Brazil	19,550
South Korea	18,306
Spain	14,443
Canada	13,823
Australia	13,389
Israel	12,856
Greece	11,335
Netherlands	11,311
United Arab Emirates	10,940

Source: Stockholm International Peace Research Institute (SIPRI) available on http://milexdata.sipri.org/files/?file=SIPRI+milex+data+1988-2009.xls

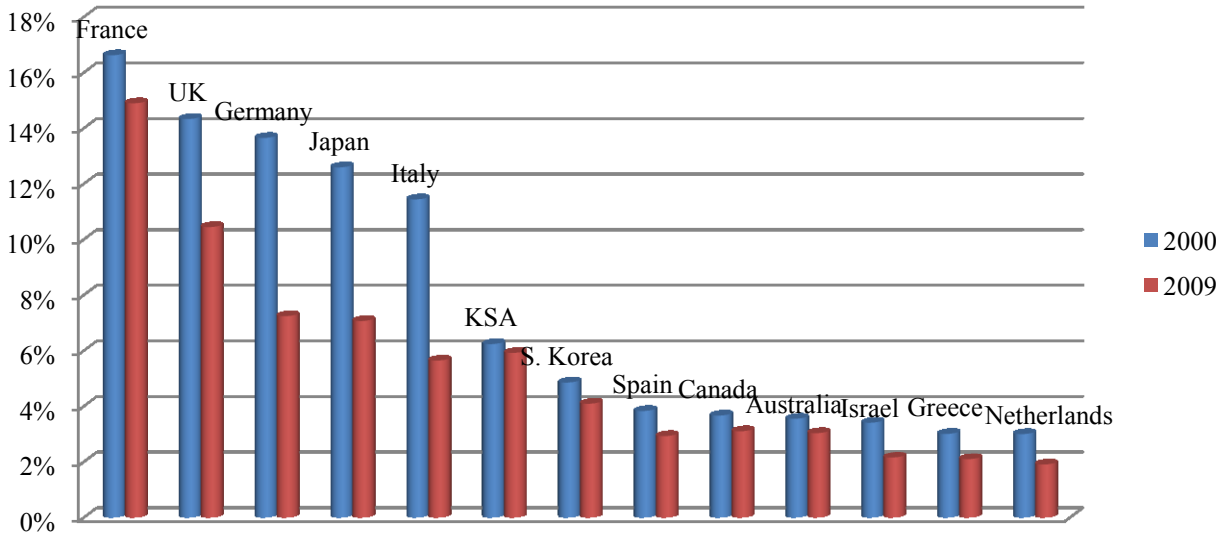
Figure 2: Size of Military Expenditure in 2000 (in US$ million)



As a matter of fact, comparison of the 2000 and 2009 military spending figures points out to two key trends: (a) the increase in military expenditure by the United States and the widening of the military spending gap between the U.S. and its highest military spending allies, and (b) the significant increase in the military spending of China (although China is still far from catching-up with America in terms of military expenditure).

The next figure demonstrates the first trend graphically pointing out to the widening of the gap in military spending between the United States and its allies with the highest expenditure on military, perhaps highlighting their even recently increased reliance on America in the security realm.

Figure 3: Comparison of Military Spending of American Allies (2000 & 2009)

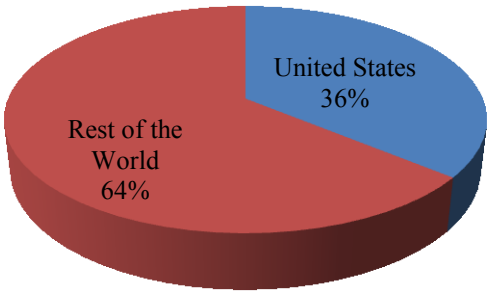


Source: Stockholm International Peace Research Institute (SIPRI) available on http://milexdata.sipri.org/files/?file=SIPRI+milex+data+1988-2009.xls

This trend cannot be entirely explained by the decline in the military spending levels of America's allies, as some of those allies actually increased their military spending in 2009 from its 2000 levels (fixing the prices and exchange rates at their 2008 levels), at least in absolute figures. The widening of the military spending gap between the United States and its allies is actually better explained by the steep rise in American military spending from 2000 to 2009, which increased by seventy five percent (while accounting for inflation and exchange rate fluctuation). More importantly, as demonstrated in the next figures, not only did American military spending increase in absolute terms; it actually increased, as a share of the global military expenditure, from 36% to 43%. Those figures are based on the Stockholm International Peace Research Institute (SIPRI) methodology used to determine military expenditure by country for each of the two reference years. While data is unavailable for some countries, suggesting that global military expenditure is actually higher than the result of aggregating the SIPRI data for each country, this has little, if any, analytical effect on

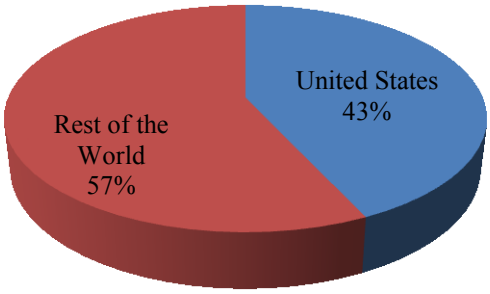
observing the trend in America's relative share of global military expenditure, as by and large the same countries have missing data in both years.

Figure 4: America's Share of Global Military Expenditure (2000)



Source: Stockholm International Peace Research Institute (SIPRI) available on http://milexdata.sipri.org/files/?file=SIPRI+milex+data+1988-2009.xls[101]

Figure 5: America's Share of Global Military Expenditure (2009)



Source: Stockholm International Peace Research Institute (SIPRI) available on http://milexdata.sipri.org/files/?file=SIPRI+milex+data+1988-2009.xls[102]

The data on military expenditure does indeed point out to an American predominance in the security and military realm as a global hegemonic superpower, and more specifically to American dominance vis-à-vis U.S. allies (whether in Western Europe, the Asia-Pacific or the Middle East), and in fact suggests that this dominance is perhaps increasing rather than

[101] The United States would have a lower share if data is available for all counties of the world, and as such the U.S. does certainly have a lower share, the size of which cannot unfortunately be determined accurately.
[102] Same as the pervious note.

decreasing with the passage of time. However, military expenditure does not alone confirm a dominant hegemonic military position for the United States, or more specifically a significant role for the U.S. in guaranteeing or effecting the security of its most important allies (which is the key element in determining whether America scores high on this first source of structural power).

Therefore, it is also important to examine American military capabilities, especially with regards to the possession of advanced and strategic weaponry. In this regard, it is still quite prudent to analyze the data available on nuclear warheads and their delivery systems. With respect to nuclear warheads, the below table summarizes the estimated number of warheads possessed, as of January 2010, by each of the declared states in possession of nuclear arms, whether or not they are signatories of the Nuclear Non-Proliferation Treaty (NPT).

Table 3: Nuclear Warhead Estimates by Country

Country	Deployed warheads	Other warheads	Total
United States	2,468	7,100	9,600
Russia	4,630	7,300	12,000
UK	160	65	225
France	300	. .	300
China	. .	200-240	200-240
India	. .	60–80	60–80
Pakistan	. .	70–90	70–90
Israel	. .	80	80

Source: Stockholm International Peace Research Institute (SIPRI) available on http://www.sipri.org/yearbook/2010/08

The foregoing data clearly points out to the unique positions of the United States and Russia, as the possessors of the largest number of nuclear warheads. However, more importantly, this data confirms that most of the U.S. allies, if not all of them, rely on American nuclear capabilities (without U.S. nuclear weapons, America's European allies, even the United Kingdom and France, would be exposed to a clear disparity in nuclear capability vis-à-vis Russia, and the same applies to its Asia-Pacific allies with respect to disparity with Russia and China, and potentially North Korea). As for delivery systems, it should be noted that the United States and Russia also have far more advanced capabilities, with each possessing multiple long-range ICBM (intercontinental ballistic missile), SLBM (submarine launched ballistic missiles) and strategic bomber capabilities. The United Kingdom and France, being the American allies in possession of nuclear weapons, are far more limited in their delivery system capabilities compared to the United States or Russia.[103] Therefore, America's allies in Europe, even the United Kingdom and France, still to date rely on American nuclear capabilities for their security, even if partially.

Furthermore, in addition to America's providence of nuclear deterrent security to its allies, the United States also provides traditional security to many of its key allies, most notably, Germany, Japan, South Korea, and the oil-rich Gulf states, such as Saudi Arabia, Qatar and Kuwait. This is a very crucial factor, as in the post-Cold War era, security is not limited to nuclear deterrence, with the emergence of other types of threats to security such as the horizontal proliferation of weapons of mass destruction and global terrorism, and the diminishing of the threat of a nuclear confrontation between the East and the West. The presence of American troops in, or close to, the territories of those allies, which are either

[103] Search 'nuclear forces' for each relevant country on http://first.sipri.org/

industrialized economic powers or resource-rich economies, guarantees the U.S. a significant measure of structural power in relation to those states, especially those almost entirely reliant on American military presence both for national security and regime stability, which is very evident in the case of the oil-rich Gulf states. This not only helps America exert a lot of influence over those states in particular; it also cements the hegemonic status of the United States in international relations and the global economy in general. The below table lists the number of American troops on foreign soil or afloat overseas, clearly demonstrating a significant American presence in the Gulf region especially in and around Iraq, in the Asia-Pacific region especially in Japan and South Korea, and in Western Europe especially in Germany, Italy and the United Kingdom.

Table 4: U.S. Foreign Troop Deployments (as of 30 September 2010)[104]

Region/Country	Number	Region/Country	Number	Region/Country	Number	Region/Country	Number
Europe		**Sub-Saharan Africa**		**East Asia & Pacific**		**North Africa, Near East & South Asia**	
Albania	8	Angola	7	Australia	130	Afghanistan (see Operation Enduring Freedom)	0
Austria	22	Botswana	9	Burma	12	Algeria	10
Belgium	1,252	Burundi	6	Cambodia	11	Bahrain	1,349
Bosnia & Herzegovina	8	Cameroon	9	China & Hong Kong	56	Bangladesh	8
Bulgaria	15	Chad	10	Indonesia & Timor	26	Diego Garcia	238
Croatia	13	Congo (Brazzaville)	1	Japan	34,385	Egypt	275
Cyprus	16	Congo (Kinshasa)	9	N. Korea	2	India	26
Czech Republic	7	Cote D'Ivoire	8	S. Korea[105]	27,014	Iraq (see Operation New Dawn)	0
Denmark	12	Djibouti	1,379	Laos	6	Israel	35
Estonia	6	Eritrea	1	Malaysia	13	Jordan	30
Finland	16	Ethiopia	9	Marshall Islands	16	Kuwait (see Operation New Dawn)	0
France	64	Gabon	1	Mongolia	5	Lebanon	5
Germany	53,951	Ghana	11	New Zealand	7	Morocco	12
Greece	338	Guinea	8	Philippines	207	Nepal	9
Greenland	133	Kenya	35	Singapore	132	Oman	30
Hungary	54	Liberia	36	Thailand	110	Pakistan	133
Ireland	8	Mali	6	Vietnam	16	Qatar	555
Italy	9,646	Mauritania	8	Afloat	8,819	Saudi Arabia	239
Latvia	7	Mozambique	6	**Total**	**43,953**	Sri Lanka	10
Lithuania	7	Niger	6	**Western Hemisphere**		Syria	9
Luxembourg	7	Nigeria	22	Antigua	2	Tunisia	12
Macedonia	16	Rwanda	5	Argentina	23	United Arab Emirates	94
Malta	6	Senegal	9	Bahamas, The	44	Yemen	15

[104] U.S. Department of Defense available on http://siadapp.dmdc.osd.mil/personnel/MILITARY/history/hst1009.pdf
[105] As of 30 September 2007: available on http://siadapp.dmdc.osd.mil/personnel/MILITARY/history/hst0709.pdf

Netherlands	442	Sierra Leone	2	Barbados	9	Afloat	4,717
Norway	71	Somalia	19	Belize	2	Operation New Dawn	96,200
Poland	34	South Africa	39	Bermuda	3	Operation Enduring Freedom	105,900
Portugal	703	St. Helena	3	Bolivia	14	**Total**	**209,911**
Romania	16	Sudan	3	Brazil	39		
Slovakia	10	Tanzania	12	Canada	127		
Slovenia	7	Togo	5	Chile	31		
Spain	1,240	Uganda	9	Colombia	62		
Sweden	11	Zambia	7	Costa Rica	8		
Switzerland	21	Zimbabwe	9	Cuba (Guantanamo)	913		
Turkey	1,530	**Total**	**1,709**	Dominican Republic	13		
United Kingdom	9,229			Ecuador	20		
Afloat	362			El Salvador	24		
Total	**79,288**			Guatemala	12		
Former Soviet Union				Guyana	2		
Armenia	9			Haiti	15		
Azerbaijan	8			Honduras	403		
Georgia	24			Jamaica	9		
Kazakhstan	15			Mexico	28		
Kyrgyzstan	11			Nicaragua	17		
Moldova	5			Panama	19		
Russia	47			Paraguay	11		
Tajikistan	6			Peru	42		
Turkmenistan	4			Suriname	1		
Ukraine	11			Trinidad and Tobago	8		
Uzbekistan	5			Uruguay	17		
Total	**145**			Venezuela	17		
				Afloat	8		
				Total	**1,943**		

Therefore, there are several indicators that the United States possesses structural power in the form of controlling the security of several key players in international relations and the global economy. On the one hand, American military expenditure clearly surpasses that of any other country, including all of its allies, and the gap in military spending between the United States and the most economically sound of its allies has actually widened recently. On the other hand, America's allies, whether in Europe or the Far East, rely on it for nuclear deterrence security vis-à-vis Russia, China and potentially North Korea. And, last but by no means least, American troops deployed on foreign soil and afloat overseas guarantee the security of several key allies of the United States, especially the oil-rich Gulf states, which also rely on American troops to guarantee regime stability. Therefore, for all of the forgoing reasons, America still enjoys considerable structural power in the security realm, at least vis-à-vis its allies in Western Europe, the Far East and the Gulf region.

B. AMERICAN CONTROL OF THE GLOBAL SYSTEM OF PRODUCTION

Another measure of structural power according to Susan Strange is the ability to control the system of production. According to her, measuring the degree of American control over the global system of production is best determined not on the basis of America's purely numerical share of global output, but rather on the degree of prominence of American-based corporations in the international economy.

The relative decline in America's share in global production, which is taking place nowadays mainly due to the rapid development of emerging markets can be rather deceiving, if it is, in truth, driven by American-based corporations (among other Western-based corporations) increasingly moving their operations overseas, because even though such a trend would translate into a relatively lower share for the American economy in global production, it does not mean that the control or influence of the American economy over the structure of global production has decreased.

As a matter of fact, in today's globalized world, many Western (and especially American) corporations are moving some of their activities to the developing world countries in search for cheap labor and other factors of production. However, although this translates into higher standards of living and higher GDPs for the developing countries, to take this as a sign of the economic empowerment of developing countries vis-à-vis the Western economic powers, especially the United States, would be rather naïve, as it would be ignoring the simple

realities of structural power, which basically boils down in this realm to who controls who produces what, where and for what price.

In order to test this aspect of structural power empirically, an important starting point is to analyze the Fortune Global 500 list, which is an annual list of the world's largest corporations based on turnover and revenues, compiled by the renowned Fortune Magazine. The below table summarizes the breakdown of the Fortune Global 500 list for the year 2009 on the main economic centers of the world.

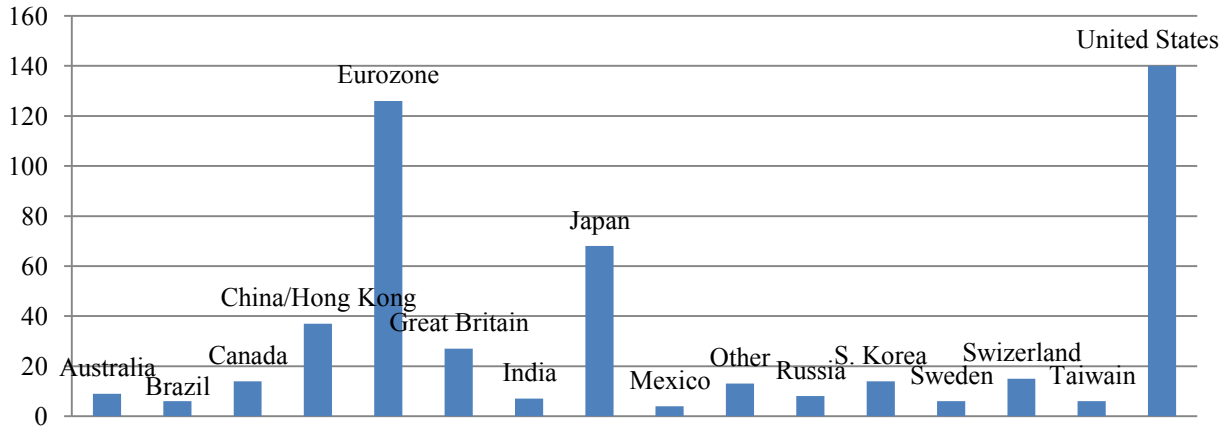
Table 5: Number of Fortune Global 500 Companies for 2009

Economic Center	Number of Fortune Global 500 Companies for 2009
Australia	9
Brazil	6
Canada	14
China/Hong Kong	37
Eurozone	126
Great Britain	27
India	7
Japan	68
Mexico	4
Other Centers	13
Russia	8
South Korea	14
Sweden	6
Switzerland	15
Taiwan	6
United States	140

Source: Fortune Magazine available on http://money.cnn.com/magazines/fortune/global500/2009/index.html

The foregoing data confirms that the United States, closely followed by the Eurozone, is the leading economic center in terms of the share of the largest companies in the world. However, as demonstrated in the below figure, the Fortune Global 500 data seems to suggest that there are two major economic centers in the world: the United States and the Eurozone.

Figure 6: Number of Fortune Global 500 Companies for 2009



The same observation is also valid, if rather than focusing on the number of companies per economic center, which can be misleading; the focus is on the total revenues of the Fortune Global 500 companies belonging to each of the main economic centers of the world. The next table and figure illustrate the consistency of the pattern of the United States leading with the greatest share followed closely by the Eurozone.

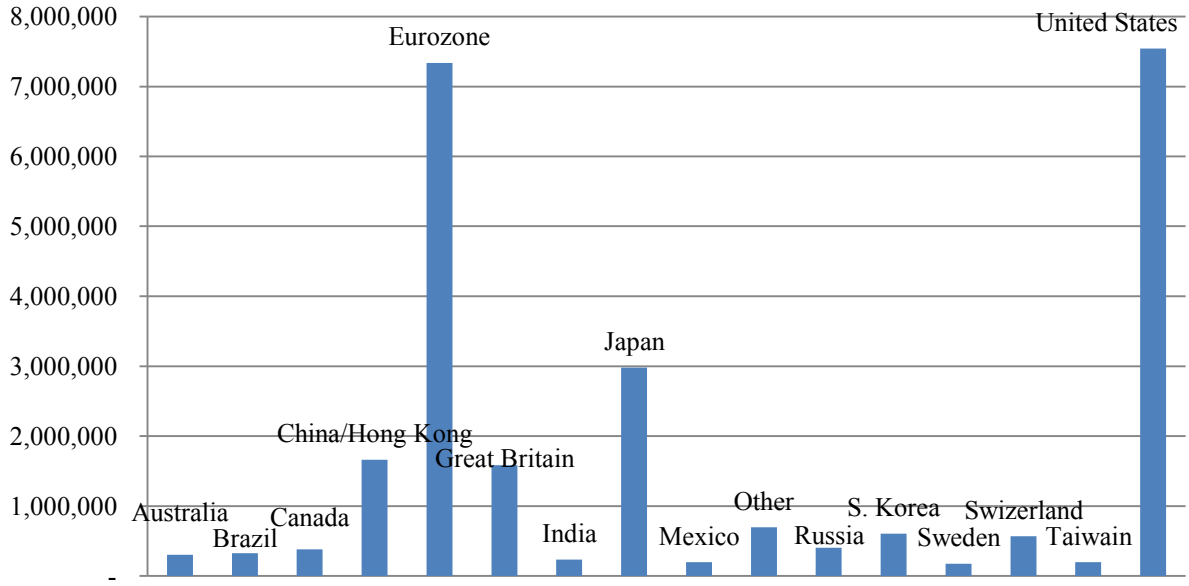
Table 6: Total Fortune Global 500 Company Revenues (in US$ million) for 2009

Economic Center	**Total Fortune Global 500 Company Revenues (in US$ million) for 2009**
Australia	300,231
Brazil	323,673
Canada	381,021

China/Hong Kong	1,660,834
Eurozone	7,337,807
Great Britain	1,585,173
India	232,342
Japan	2,979,580
Mexico	196,263
Other Centers	694,407
Russia	402,506
South Korea	603,406
Sweden	173,918
Switzerland	565,503
Taiwan	195,075
United States	7,543,730

Source: Fortune Magazine available on http://money.cnn.com/magazines/fortune/global500/2009/index.html

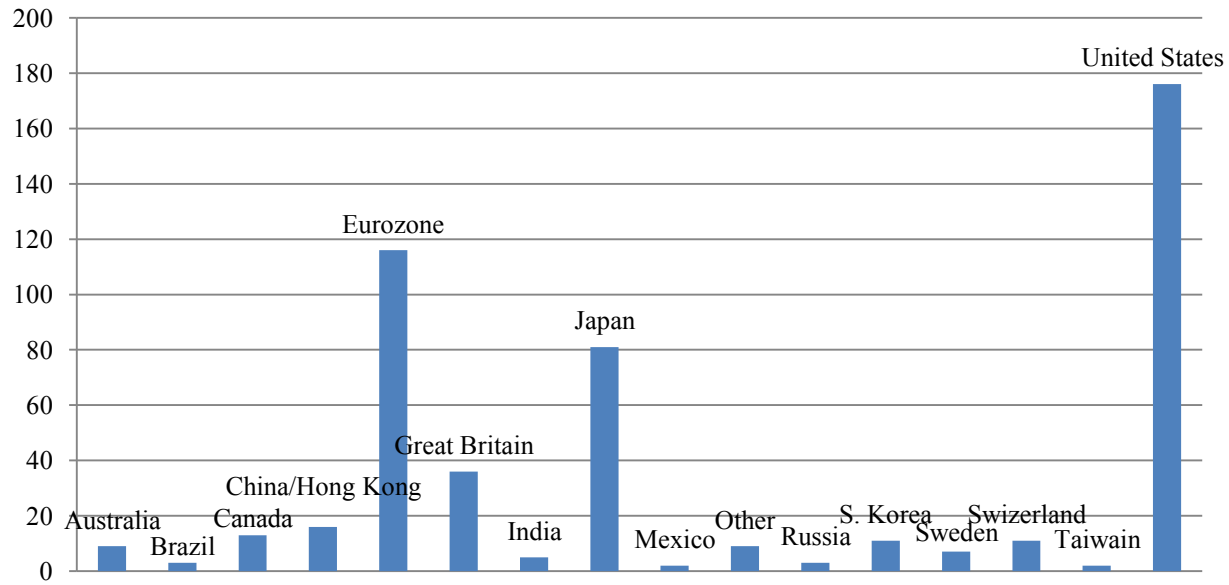
Figure 7: Total Fortune Global 500 Company Revenues (in US$ million) for 2009



Analysis of the Fortune Global 500 companies for the year 2005 reveals a substantially similar distribution of the world largest companies on the main economic centers, also with the United States having the lead followed closely by the Eurozone, whether in terms of the

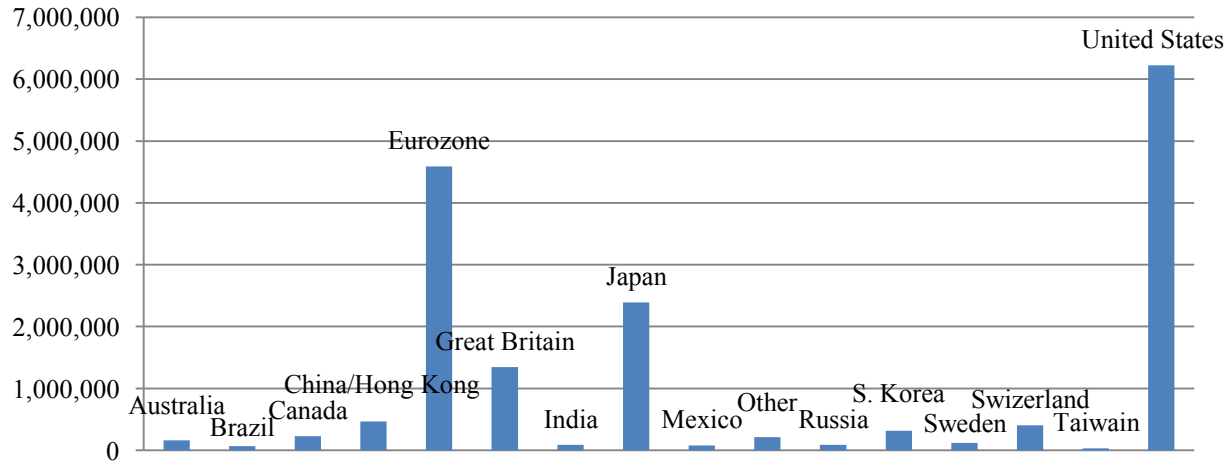
number of companies or the breakdown by total revenues. The below figures illustrate the findings based on the 2005 data set.

Figure 8: Number of Fortune Global 500 Companies for 2005



Source: Fortune Magazine available on http://money.cnn.com/magazines/fortune/global500/2005/index.html

Figure 9: Total Fortune Global 500 Company Revenues (in US$ million) for 2005



Source: Fortune Magazine available on http://money.cnn.com/magazines/fortune/global500/2005/index.html

Comparison of the Fortune Global 500 data sets for the years 2005 and 2009 reveals several trends: (a) a decline in the shares of the United States, Great Britain and Japan, (b) a slight increase in the share of the Eurozone, and (c) a significant increase in the share of emerging market economies, especially China. The below figures illustrate the comparison of the two data sets.

Figure 10: Comparison of Fortune Global 500 Data (2005 & 2009) by Number of Companies

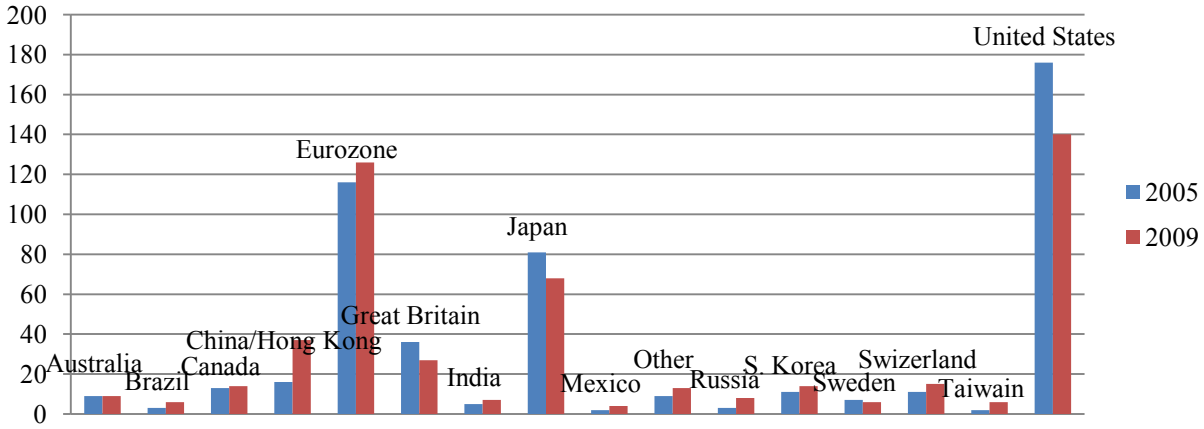
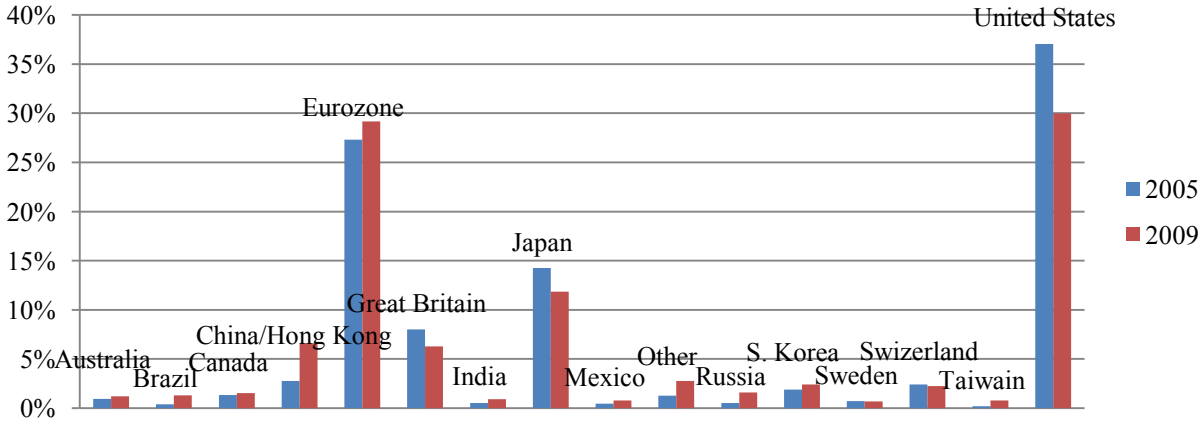


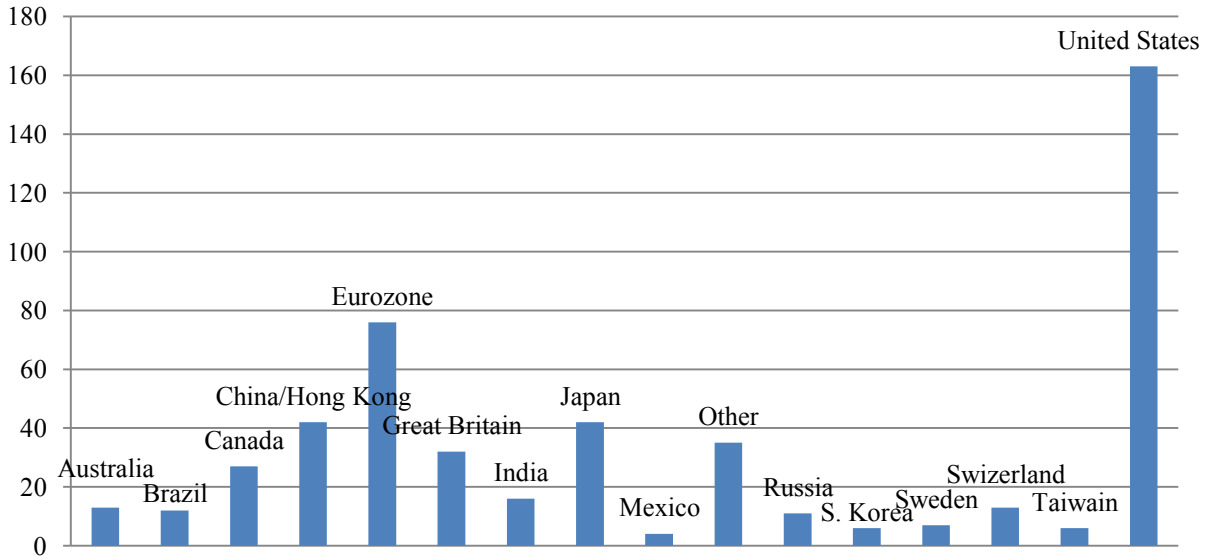
Figure 11: Comparison of Fortune Global 500 Data (2005 & 2009) by Percentage of Total Revenues



Therefore, analysis of the Fortune Global 500 data suggests that (a) the United States does not have an absolute or unrivaled control over the global system of production, as the strength of its corporations (although slightly stronger) is almost matched by those based in the Eurozone, and (b) that the Eurozone and China (and other emerging markets) are steadily catching-up with the United States.

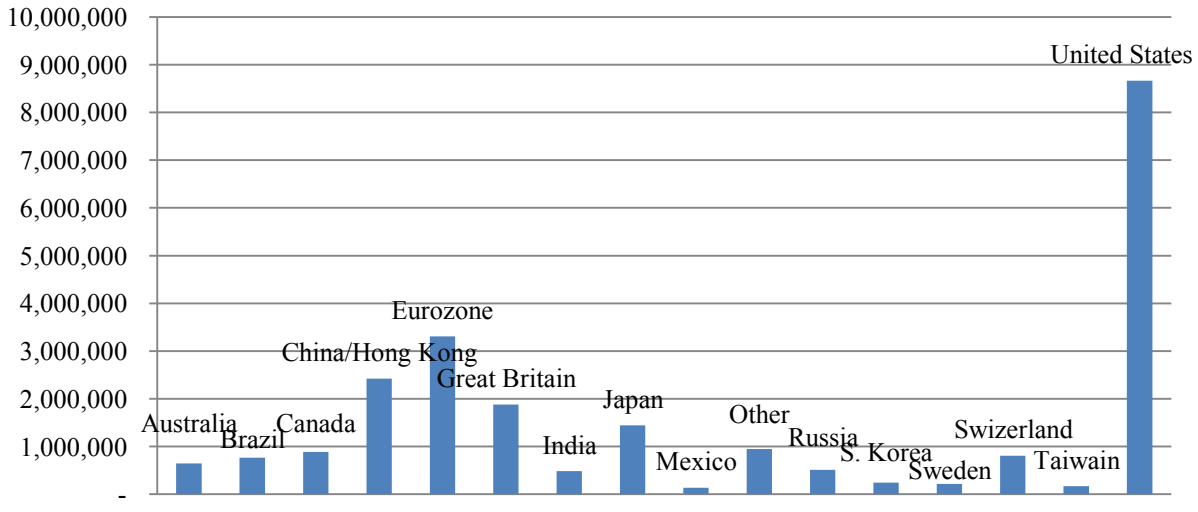
However, analysis of the FT Global 500, which is an annual ranking of the world's largest companies released by Financial Times, but based on market capitalization, reveals a completely different pattern. The strength of American-based corporations, in terms of market capitalization, is unrivaled and points out to a clear dominance by the United States. The next figures demonstrate the unparalleled position of the United States both in terms of number of companies and total market value in light of the FT Global 500 list for the year 2010.

Figure 12: Number of FT Global 500 Companies for 2010



Source: Financial Times available on http://www.ft.com/reports/ft500-2010

Figure 13: Total Market Value of FT Global 500 Companies for 2010 (in US$ million)



Source: Financial Times available on http://www.ft.com/reports/ft500-2010

The degree of dominance of American-based corporations is best illustrated by the below figure, which demonstrates the relative sizes of the market values of the FT Global 500 companies belonging to each of the main economic centers of the world.

Figure 14: Distribution of Market Values of FT Global 500 Companies (v1)

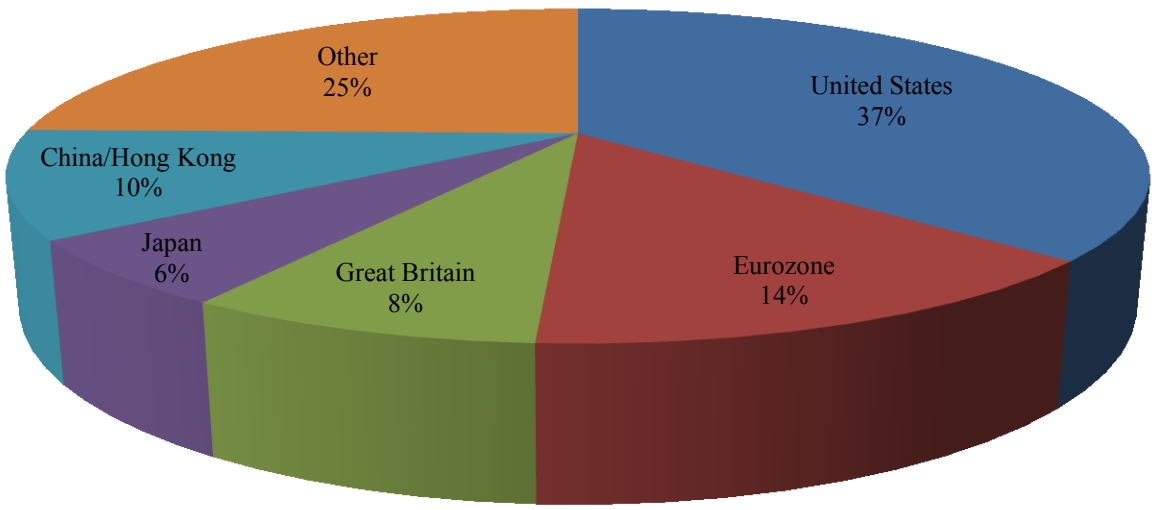
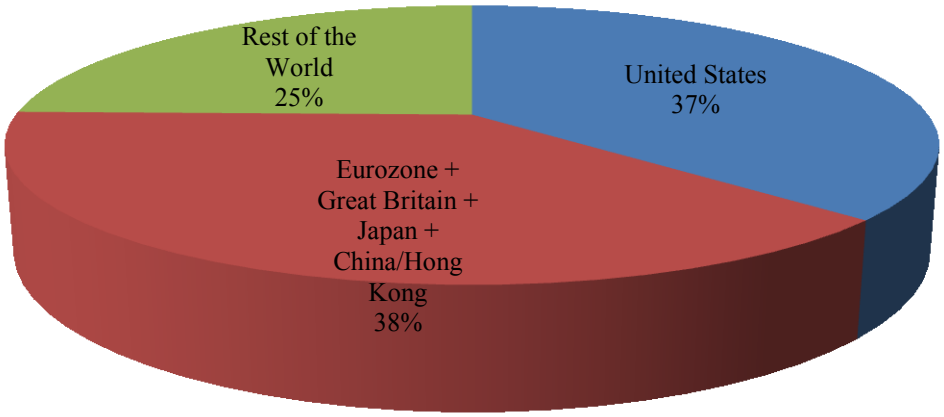


Figure 15: Distribution of Market Values of FT Global 500 Companies (v2)



As demonstrated in the above figure, it is suffice to say that the relative market value of the American-based corporations listed on the FT Global 500 list for 2010 is roughly equivalent to the relative market value of all of the corporations belonging to the other main financial centers combined (the Eurozone, Great Britain, Japan and China/Hong Kong), and significantly more than the relative market value of the corporations of the rest of the world combined (which includes the rest of Europe and the rest of the emerging markets, in addition to Canada and Australia). Analysis of the FT Global 500 data set, therefore, clearly demonstrates the dominance of American corporations in the international economy and proves beyond doubt an unrivaled degree of dominance for the United States in shaping the structure of international production.

The question is how this may be reconciled with the analysis of the Fortune Global 500 data set, which although puts the United States on top, reveals rivalry from the Eurozone and relative decline over time. The answer is simply that, because the Fortune Global 500 list is based on company revenues, it does not reflect the true value of banks and financial services

companies, and of computer technology and software companies, which may have much higher value than their annual turnover suggests.

As a matter of fact, it is perhaps in those two sectors where American-based corporations are truly dominant. More importantly, on the one hand, the banks and financial services sector plays an important role in shaping the structure of international credit and not just the structure of global production. On the other hand, the computer technology and software sector is also shaping the future of the world from the social and cultural perspectives. For example, companies such as Facebook, Apple, Twitter, Google and Microsoft, which are all based in the United States, are producing products, gadgets, applications and programs that are truly changing the means of social and cultural interaction between millions of people worldwide. Their significance cannot, therefore, be captured by their turnovers or even their market capitalizations, and their influence and importance cannot be compared to the influence and importance of oil services or automobile manufacturing companies of similar turnover or market capitalization. A case in point, in this regard, is how Facebook and Twitter facilitated interaction among youths in Tunisia and Egypt, resulting in massive demonstrations that have very recently resulted in regime change.

As such, the FT Global 500 data set is far more accurate in describing the world's most valuable and influential corporations, and hence provides a more accurate measure of the influence of American-based corporations on the structure of the global economy. Accordingly, it is apparent that the United States still retains a significant degree of control on the structure of global production, and that it clearly enjoys significant structural power in this realm.

C. AMERICAN CONTROL OF GLOBAL FINANCIAL MARKETS

Susan Strange also argues that the dominance of the U.S. Dollar has enabled America to run staggering deficits and remain largely unaffected, which demonstrates that those huge deficits are a sign of the structural power of America and not of the relative weakness of the American economy. The below table summarizes the breakdown of official foreign exchange reserves in the world among the various international currencies during the period between 1995 and 2009.

Table 7: Currency Composition of Official Foreign Exchange Reserves (in US$ million)

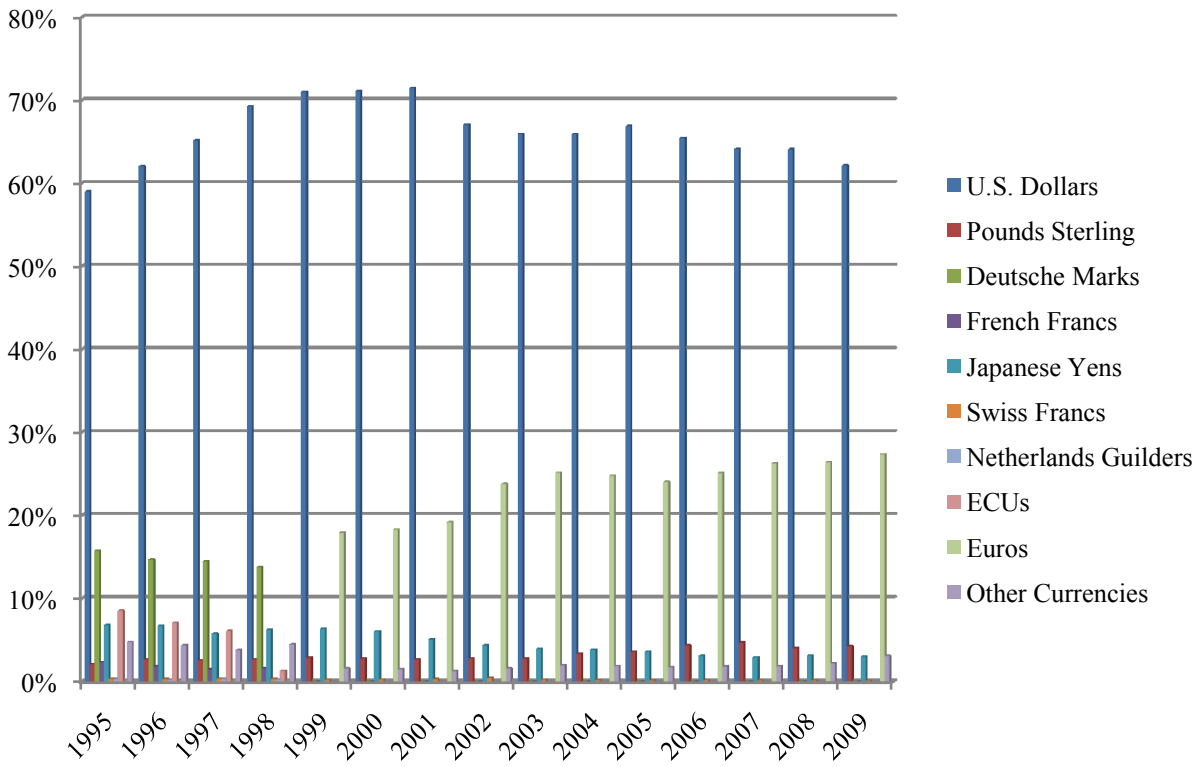
Year	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**	**2002**
U.S. Dollars	610337	760071	828887	888724	979783	1079916	1122431	1204673
Pounds Sterling	21874	32883	32856	34142	39827	41798	42401	50537
Deutsche Marks	163088	179916	184349	176951	0	0	0	0
French Francs	24361	22638	18314	20814	0	0	0	0
Japanese Yens	70071	82307	73487	80029	87939	92078	79190	78145
Swiss Francs	3464	3705	4435	4237	3172	4087	4372	7314
Netherlands Guilders	3306	2935	4461	3489	0	0	0	0
ECUs	88288	86837	77322	16637	0	0	0	0
Euros	0	0	0	0	246950	277693	301026	427327
Other Currencies	49387	53172	47871	57383	22034	22672	20069	27919
Allocated Reserves	1034175	1224464	1271982	1282406	1379705	1518244	1569488	1795915
Unallocated Reserves	355626	341805	344266	361397	402242	418039	480092	612063
Total Holdings	1389801	1566268	1616248	1643803	1781947	1936282	2049580	2407978
Year	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	
U.S. Dollars	1465752	1751012	1902535	2171075	2641645	2699122	2837844	
Pounds Sterling	61655	89457	102243	145205	192663	168773	194183	
Deutsche Marks	0	0	0	0	0	0	0	
French Francs	0	0	0	0	0	0	0	
Japanese Yens	87608	101787	101769	102051	120480	131902	137680	

Swiss Francs	5016	4419	4143	5685	6395	5799	5318
Netherlands Guilders	0	0	0	0	0	0	0
ECUs	0	0	0	0	0	0	0
Euros	559246	658531	683809	831947	1082276	1112223	1249954
Other Currencies	43833	49865	49041	59520	75731	92806	141774
Allocated Reserves	2223110	2655070	2843541	3315483	4119190	4210624	4566753
Unallocated Reserves	801961	1093288	1459417	1919612	2563271	3110934	3520052
Total Holdings	3025071	3748358	4302958	5235095	6682461	7321558	8086805

Source: International Monetary Fund (IMF) available on http://www.imf.org/external/np/sta/cofer/eng/index.htm

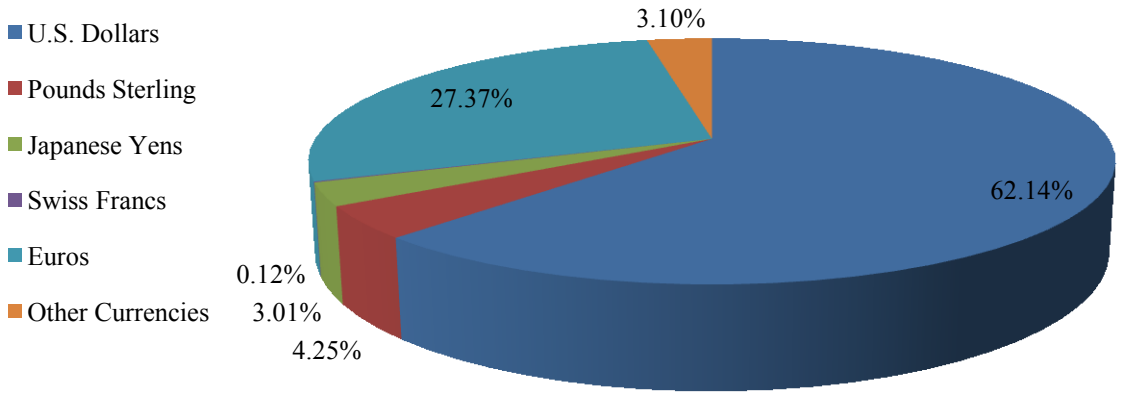
The below figure demonstrates the allocation of the official foreign reserves among the different currencies expressed as percentages, which gives a clearer picture on the relative weights of the reserves denominated in those currencies during the same period from 1995 to 2009.

Figure 16: Currency Composition of Official Foreign Exchange Reserves (1995-2009)



As demonstrated in the preceding figure, the U.S. Dollar has remained the most dominant currency in which official foreign exchange reserves are held across the world throughout the period examined spanning almost a decade and a half. Reserves denominated in Dollars have constituted, on average, close to two-thirds of the overall foreign currency reserves during said period. Although, as highlighted by the preceding data, the relative weight of the official foreign reserves denominated in Euros has grown gradually during the past few years, the effect this has had on the dominance of the U.S. Dollar has remained quite minimal, with the Dollar still firmly ahead of the Euro, and with Dollar reserves still constituting more than double the Euro reserves. The below figure illustrates the composition by currency of the official foreign exchange reserves held by various countries in 2009, demonstrating the continued dominance of the U.S. Dollar until very recently.

Figure 17: Currency Composition of Official Foreign Exchange Reserves in 2009



The need for governments and central banks all over the world to hold significant U.S. Dollar reserves actually reflects the dominance of the Dollar as the predominant currency of international trade (i.e. governments and central banks all over the world need to hold Dollar reserves in order to purchase Dollar denominated commodities, most importantly oil). A telling measure of the prominent role of the U.S. Dollar in international trade is its large relative share of the foreign exchange turnover, as demonstrated in the below table.

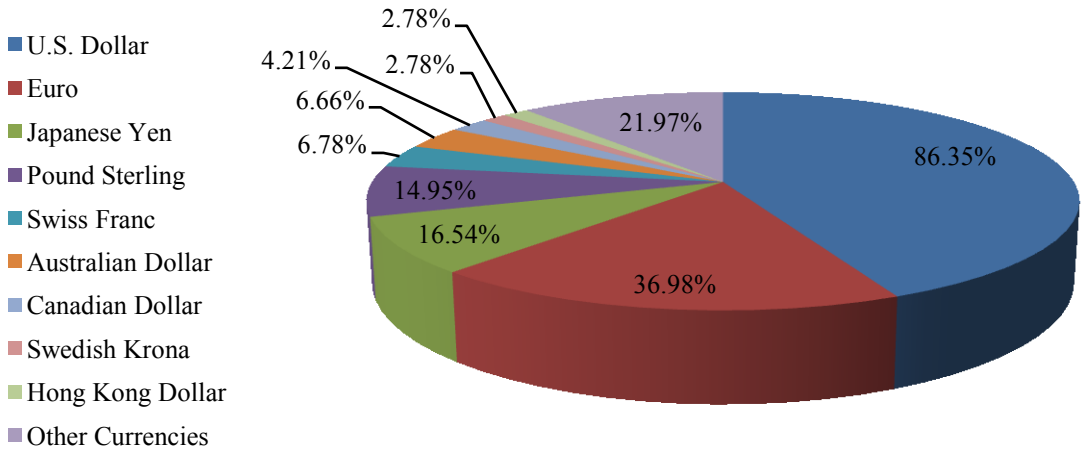
Table 8: Currency Distribution of Foreign Exchange Turnover at April 2007 Exchange Rates (percentage share of average daily turnover)[106]

Year	2001	2004	2007
U.S. Dollar	76.16%	85.25%	86.35%
Euro	48.06%	40.00%	36.98%
Japanese Yen	19.89%	17.56%	16.54%
Pound Sterling	15.47%	17.88%	14.95%
Swiss Franc	7.22%	6.19%	6.78%
Australian Dollar	5.90%	6.33%	6.66%
Canadian Dollar	5.16%	4.73%	4.21%
Swedish Krona	2.59%	2.43%	2.78%
Hong Kong Dollar	1.88%	1.78%	2.78%
Other Currencies	17.67%	17.85%	21.97%

As illustrated graphically in the next figure, the dominance of the U.S. Dollar in foreign trade transactions remained very evident as late as 2007.

[106] The total is 200% because each foreign exchange transaction involves two currencies. Figures include spot, outright forward and foreign exchange swap transactions. *Source: Bank of International Settlements available on http://www.bis.org/publ/rpfxf07t.pdf*

Figure 18: Currency Distribution of Foreign Exchange Turnover (as at 2007)



The need to accumulate reserves in Dollars not only arises due to the requirements of purchasing essential commodities denominated in U.S. Dollars; it is also magnified due to the requirements of servicing Dollar denominated debts. A case in point in this regard is the huge portion of the U.S. Dollar cross-border liabilities of banks denominated in foreign currencies, as demonstrated in the below table.

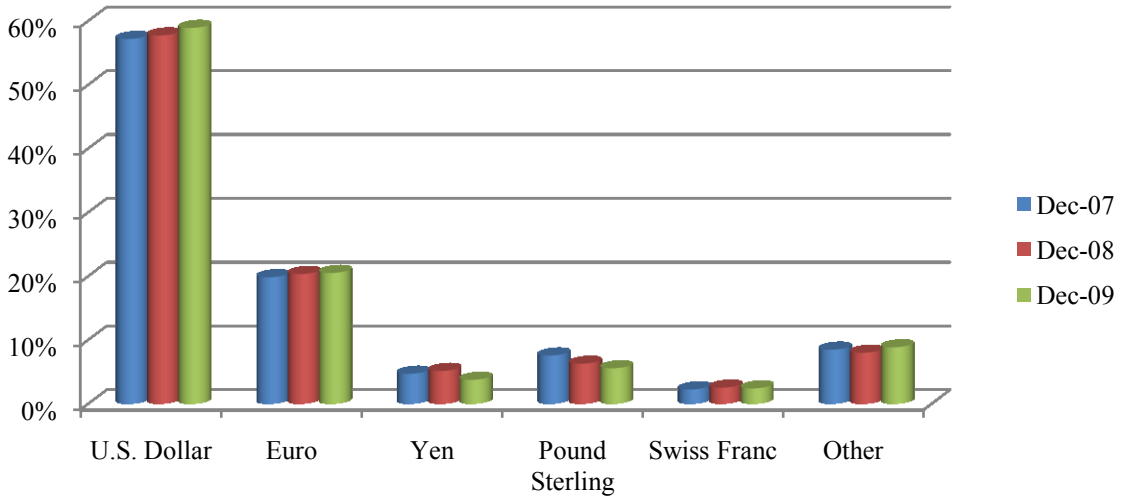
Table 9: Foreign Currency Denominated Cross-border Liabilities of Banks (total amount outstanding as of reference period in US$ billion)

Period	Dec-07	Dec-08	Dec-09
U.S. Dollar	10,021.50	9,261.00	9,073.00
Euro	3,475.00	3,262.20	3,158.20
Yen	824.20	825.80	578.50
Pound Sterling	1,326.10	1,006.50	857.00
Swiss Franc	395.20	405.60	371.00
Other	1,485.40	1,281.60	1,363.70
Total Allocated	**17,527.40**	**16,042.70**	**15,401.40**

Source: Bank of International Settlements available on http://www.bis.org/publ/qtrpdf/r_qa1006.pdf

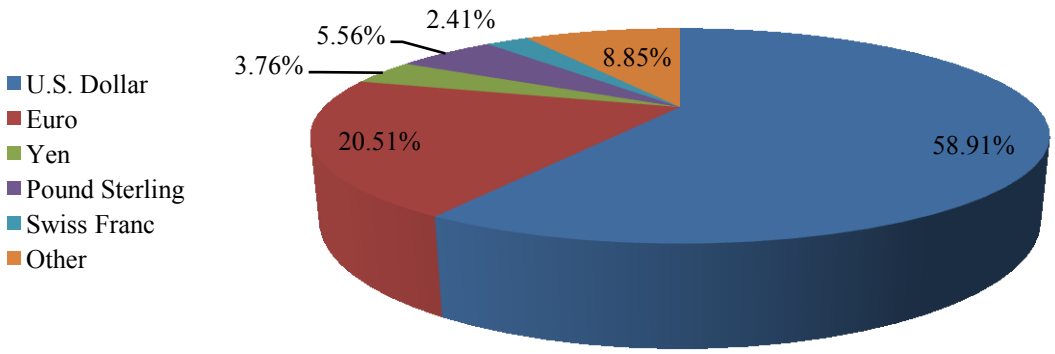
The below figure illustrates the clear significance of U.S. Dollar denominated debt in light of the preceding data.

Figure 19: Foreign Currency Denominated Cross-border Liabilities of Banks (percentage as of reference period)



As illustrated in the figure below, as late as December 2009, U.S. Dollar denominated bank debt was almost of 60% of the total foreign currency denominated cross-border bank debt.

Figure 20: Foreign Currency Denominated Cross-border Liabilities of Banks (breakdown by currency as of December 2009)



Therefore, based on the preceding data, it is clear that Strange's arguments with respect to the dominance of the U.S. Dollar remain valid today. The U.S. Dollar is still, by and large, the world's leading reserve currency. It has occupied this position because it clearly remains the world's leading vehicle and invoicing currency, with many international trade transactions not necessarily involving an American counterparty being consummated in U.S. Dollars. This is particularly significant, as the trade of many of the most important commodities (especially oil) is still conducted in U.S. Dollars, although there are recent signs that major oil producers such as Russia and Iran are seeking to reverse this trend. Of equal importance is the fact that the U.S. Dollar is the most prominent currency in the international debt markets. To put it simply, governments and central banks are making sure national savings are held in Dollars to be able to service national debt denominated in Dollars and also to purchase important and strategic commodities that are sold on the international markets mainly in Dollars.

A few decades ago, several scholars argued that the abolition of the gold standard, the devaluation of the Dollar, and the rise in oil prices, which was followed by global inflation, all worked in America's favor, or maybe even were deliberately orchestrated by the United States. It is rather doubtful that the United States was fully aware of the positive implications the abolition of the gold standard, and the events that followed that economic earthquake, will ultimately have on the American status in the global economy. However, it is very evident that the main outcome of those events, being the concentration of America's structural power as the hegemon with the extraordinary privilege of having its currency as the

global reserve currency, has placed and continues to place America in a uniquely advantageous position.

This position can be summarized as follows: (a) ever since the abolition of the gold standard in 1971, the U.S. Dollar has been the global reserve currency that only the United States can generate by fiat (i.e. by law or decree and without pegging to gold or any other currency or valuable commodity); (b) as a result of this unique privilege, the United States is allowed to simply produce Dollars, while the rest of the world, including all the other leading economic powers, have to produce goods and services or dispose of their natural resources that can all be sold for Dollars, which are then used to buy goods, services and natural resources also denominated in Dollars from international markets, or to service Dollar denominated debts; (c) consequently, major economic players, especially emerging market economies that face speculative threats to their national currencies, hold most of their savings, and especially their foreign currency reserves in Dollars; and (d) this continuous appetite for Dollars creates a sizeable international demand for Dollars, which in turn reinforces the strength of the Dollar, and hence ensures it remains the preferred global reserve currency. One of the necessary preconditions for this American hegemonic privilege is that major commodities (especially oil) continue to be bought and sold in Dollars, and that in particular explains the continuous American strategic interest in the stability, and American dominance, of the Middle East region, which accounts for the majority of global oil and gas reserves.

A buy-product of this position is the staggering deficits run by the American economy, with the American national debt standing in 2009 at around 11 trillion U.S. Dollars.[107] However, this apparent debt problem is not a sign of weakness but rather a demonstration of America's structural power emanating from the position of the U.S. Dollar as the global reserve currency. Because the other economic powers of the world have a continued demand for more and more Dollars, they are continuously lending the United States, especially by purchasing U.S. treasury bills. In other words, America is running huge deficits because the rest of the world is financing the United States due to the need to hold U.S. Dollar reserves. Simply put, this element of structural power is giving America a free ride in the world economy, as it can go on printing Dollars and issuing t-bills, as long as other nations are willing to buy those t-bills, thereby basically bankrolling the American economy. This is in fact the clearest and most evident sign of American economic hegemony.

The next table lists the major foreign holders of U.S. t-bills as of April 2010. This list confirms that the holders of U.S. treasury bills include almost all of the major economic players in the world, including advanced industrial centers (such as Japan, Germany and France), offshore financial centers (the so-called Caribbean Banking Centers), oil producers (the so-called Oil Producers as well as Russia) and the key emerging markets (such as Brazil, South Korea, Turkey, Mexico and Egypt), and most notably and at the top of the list, China.

[107] Zakaria 2009, xvii.

Table 10: Major Holders of U.S. Treasury Bills

County/Economic Player	Holdings in billions of USD
China	900.2
Japan	795.5
U.K.	321.2
Oil Exporters	239.3
Brazil	164.3
Caribbean Banking Centers	153.2
Hong Kong	151.8
Taiwan	126.9
Russia	113.1
Canada	81.7
Switzerland	80
Luxembourg	77.6
Germany	54.3
Thailand	46.9
Ireland	45.7
Singapore	42.4
France	38.8
S. Korea	38.7
Mexico	33.1
India	31
Turkey	27.9
Poland	24.6
Egypt	21.1
Italy	20.3
Others	327.80
Total	**3,957.40**

Source: Department of the Treasury/Federal Reserve Board available on http://www.treas.gov/tic/mfh.txt

The huge U.S. t-bill holdings of China are of particular significance. According to Farid Zakaria, the structure of the world economy is characterized by the dyadic interplay between China and the United States. On the one hand, the United States, due its unique hegemonic

privilege, is able to basically print Dollars and issue t-bills that are in demand by the other key economic players of the world, which has led to a wild unrivaled debt accumulation and consumption tendency in the American economy. On the other hand, China, being the world's largest emerging market economy, is committed to saving, and to accumulating its savings by purchasing U.S. t-bills.[108] In other words, China bankrolled and continues to bankroll the American economy. As a matter of fact, America's consumerism fueled by the debt accumulated from China and other key players in the world economy, has helped catalyze Chinese growth by enabling China to furnish the American economy with more and more consumer goods. Therefore, the more China produces, the more America consumes, and the more China saves, and hence the more America accumulates debt, which America uses to buy more Chinese products in a continuous cycle of production-consumption / saving-debt accumulation.

This awkward dynamic between the world's most developed economy and its fastest growing economy ensured the 1990s and the early years of the twenty-first century were an era of growth and stability not only in the United States and China, but for most of the other major economies of the world, perhaps except for Japan (for reasons unique to it). However, this set-up proved to be a blessing in disguise and actually a recipe for disaster. Zakaria argues brilliantly that it is particularly the access of the American banks and public to 'cheap money' that led to speculative trends and uncontrolled poisonous financial innovation within the American economy, which ultimately led to the sub-prime mortgage crisis followed by the recent financial meltdown in the United States, and finally resulted in a major economic crisis not only in the American economy but all over the world, and one that could have led

[108] Zakaria 2009, xvii-xx.

to a worldwide recession had it not been for unparalleled governmental intervention and international coordination.[109]

However, the financial meltdown, although the lessons learnt from its causes and consequences will not be soon forgotten, and although it could prove to be the beginning of huge changes in the structure of the global economy, did not result in the crippling of the American economy, as some anticipated. Actually, the American economy returned to real growth in late 2009 (i.e. about one year after the meltdown in the financial markets), much earlier than most experts anticipated. More significantly, as events unfolded, it has become apparent that the American economy, at least in terms of output, fared much better than most of the advanced economies. This is demonstrated in the below table, which summarizes the annual change in gross domestic product (GDP) across the developed economies, based on actual data and projections during the years 2008, 2009 and 2010. As evident from this data, the performance of the American economy, measured in terms of output, has been better than that of most of the advanced economies, especially in 2009 and even more so in 2010.

Table 11: Annual Change in GDP for Advanced Economies (% change; including projections)

	2008	2009	2010
Australia	2.38	1.33	2.96
Austria	2.05	-3.61	1.33
Belgium	0.83	-3.01	1.15
Canada	0.41	-2.64	3.14
Cyprus	3.62	-1.74	-0.69
Czech Republic	2.46	-4.29	1.68

[109] Ibid.

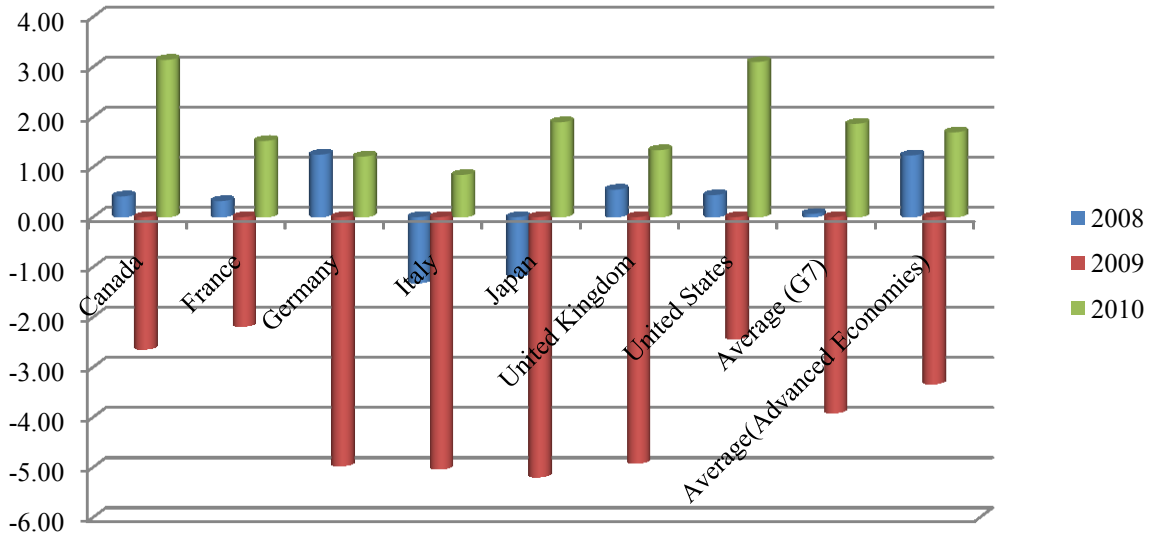
Denmark	-0.87	-5.07	1.20
Finland	1.21	-7.76	1.25
France	0.32	-2.19	1.52
Germany	1.25	-4.97	1.21
Greece	2.02	-1.96	-2.00
Hong Kong	2.15	-2.66	5.02
Iceland	0.96	-6.49	-3.04
Ireland	-3.04	-7.10	-1.55
Israel	4.00	0.71	3.20
Italy	-1.32	-5.04	0.84
Japan	-1.19	-5.20	1.90
Korea	2.30	0.20	4.51
Luxembourg	0.03	-4.22	2.08
Malta	2.14	-1.93	0.47
Netherlands	2.00	-3.98	1.30
New Zealand	-0.15	-1.59	2.88
Norway	1.82	-1.52	1.08
Portugal	0.04	-2.68	0.29
Singapore	1.39	-2.02	5.68
Slovak Republic	6.17	-4.66	4.10
Slovenia	3.49	-7.33	1.12
Spain	0.86	-3.64	-0.41
Sweden	-0.16	-4.40	1.23
Switzerland	1.78	-1.45	1.53
Taiwan	0.73	-1.87	6.50
United Kingdom	0.55	-4.92	1.34
United States	0.44	-2.44	3.10
Average	**1.23**	**-3.34**	**1.69**

Source: International Monetary Fund (IMF), World Economic Outlook Database available on: http://www.imf.org/external/pubs/ft/weo/2010/01/weodata/index.aspx

As illustrated in the next figure, the American economy's performance is above average and certainly better than most of the rest of the G7 economies, which should be taken as a sign of the relative strength of the American economy, especially in light of the fact that the financial crisis originated in the United States. Actually, recent events have rather confirmed that the

American economy has absorbed the financial crisis far better than Europe has, with the Dollar appreciating in value against the Euro and the Pound Sterling, all the more stressing the importance of the Dollar as the global reserve currency.

Figure 21: Annual Change in GDP for Advanced Economies (% change; including projections)



D. AMERICAN INFLUENCE OVER KNOWLEDGE

According to Susan Strange, the ability to exert the most influence over knowledge is another factor of structural power. Although it is rather difficult to examine this factor empirically, as knowledge, or influence over knowledge, is difficult to express in raw figures, two of the most appropriate indicators of this attribute of structural power are the American share of top ranking universities and the American share of Nobel Prize laureates in natural sciences.

With regards to top ranking universities, one of the most widely accepted rankings of top universities worldwide is the Academic Ranking of World Universities (ARWU), which is published by the Center for World-Class Universities and the Institute of Higher Education of Shanghai Jiao Tong University, China. The ARWU is based on various objective indicators used to rank universities worldwide, including, the number of alumni winning prestigious international awards, the number of publications in internationally renowned scientific journals, and the number of highly cited researchers and articles.[110] The ARWU ranking for the year 2010, as illustrated in the next table and figure, reflects the clear dominance of American universities.

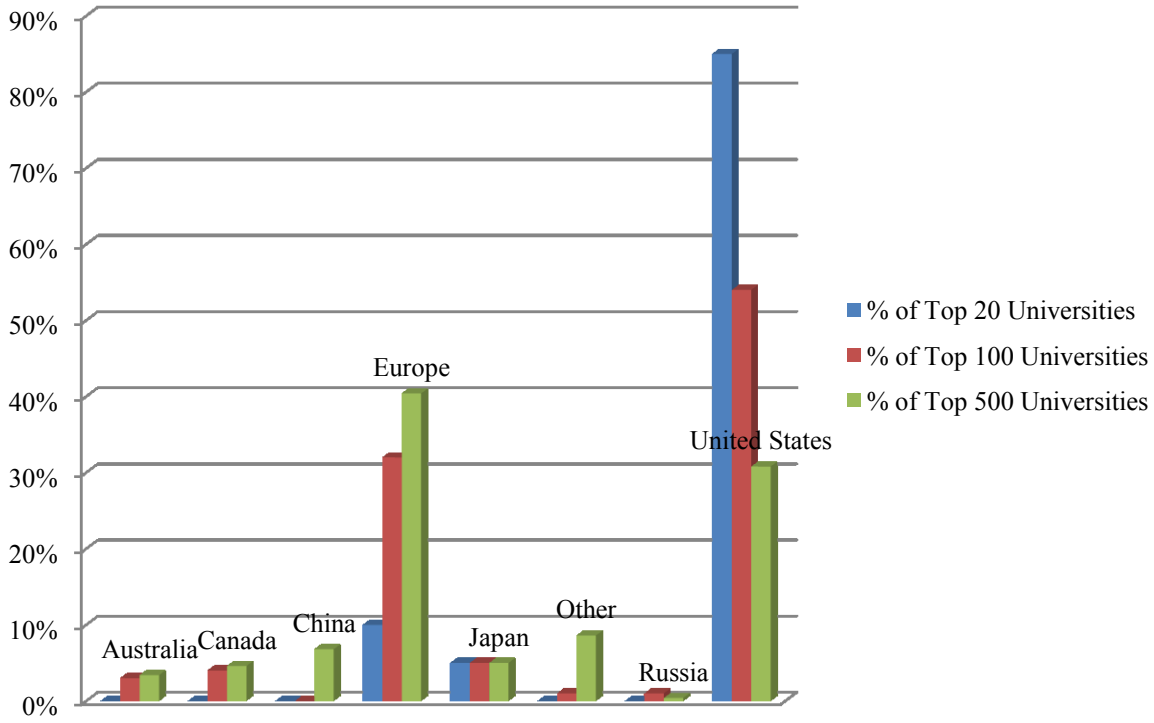
[110] http://www.arwu.org/aboutARWU.jsp

Table 12: ARWU 2010 Ranking Analysis

	% of Top 20 Universities	% of Top 100 Universities	% of Top 500 Universities
Australia	0.00%	3.00%	3.40%
Canada	0.00%	4.00%	4.60%
China	0.00%	0%	6.80%
Europe	10.00%	32.00%	40.40%
Japan	5.00%	5.00%	5.00%
Other	0.00%	1.00%	8.60%
Russia	0.00%	1.00%	0.40%
United States	85.00%	54.00%	30.80%

Source: Center for World-Class Universities and the Institute of Higher Education of Shanghai Jiao Tong University, China available on http://www.arwu.org/ARWU2010.jsp

Figure 22: Analysis of ARWU 2010 Ranking



As demonstrated above, American universities clearly dominated the ARWU 2010 ranking. Out of the top 20 universities, 17 were American, representing 85% of the total. Even upon expanding the list to the top 100 and top 500 universities, American universities are still

dominant representing 54% and 30.8%, respectively. The European universities appear to be comparable to the position of American universities only upon the expansion of the list to the top 500 universities, which basically means that the top ranking universities worldwide are predominately American, and that the best American universities are still unrivaled to date. This proves that the United States still enjoys a huge influence over knowledge, as measured by the location of the world's most influential scientists, researchers and research institutes in America.

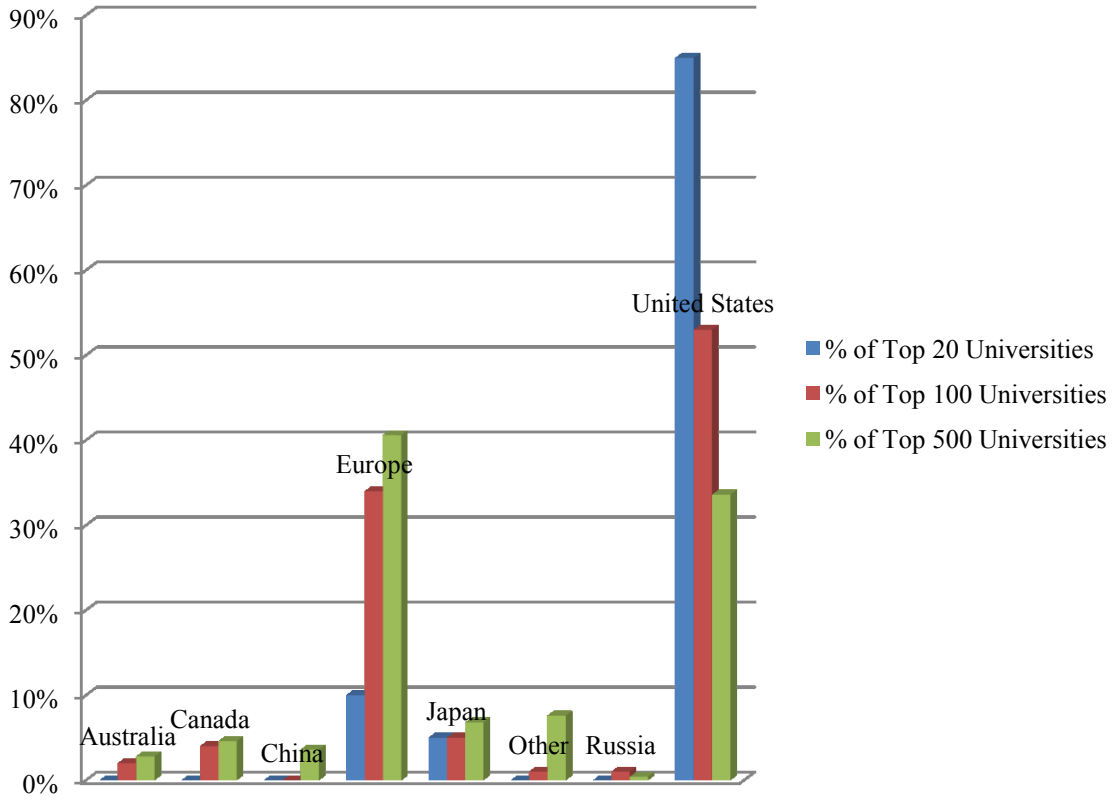
Analysis of the ARWU 2005 ranking reveals the same pattern, as illustrated in the next table and figure.

Table 13: ARWU 2005 Ranking Analysis

	% of Top 20 Universities	% of Top 100 Universities	% of Top 500 Universities
Australia	0.00%	2.00%	2.80%
Canada	0.00%	4.00%	4.60%
China	0.00%	0.00%	3.60%
Europe	10.00%	34.00%	40.60%
Japan	5.00%	5.00%	6.80%
Other	0.00%	1.00%	7.60%
Russia	0.00%	1.00%	0.40%
United States	85.00%	53.00%	33.60%

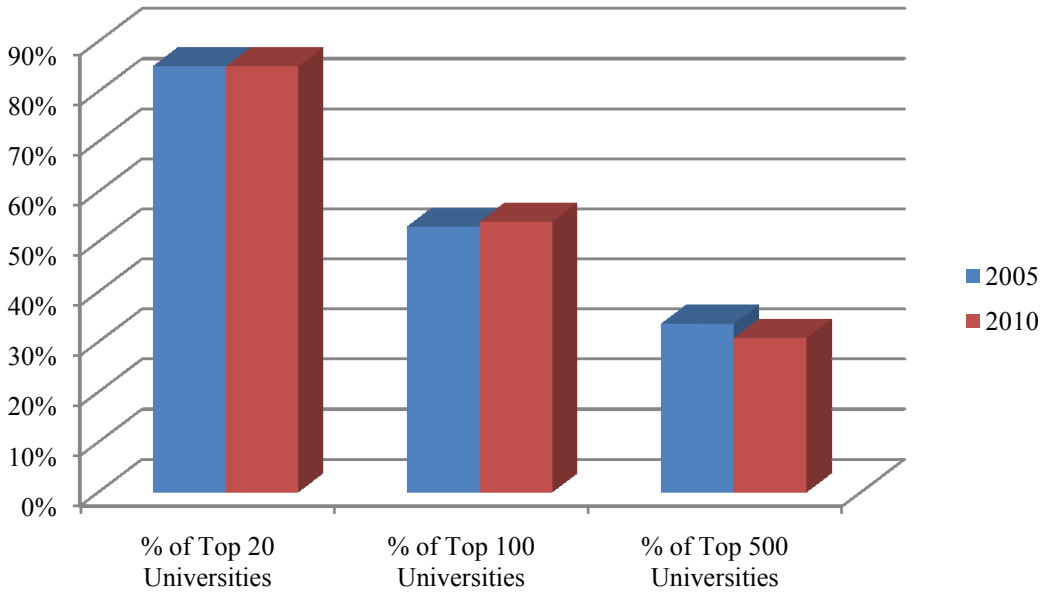
Source: Center for World-Class Universities and the Institute of Higher Education of Shanghai Jiao Tong University, China available on http://www.arwu.org/ARWU2005.jsp

Figure 23: Analysis of ARWU 2005 Ranking



Analysis of the ARWU 2005 ranking confirms that the position of dominance of American universities is persisting with little if any change, or any serious challenge from universities from any other region in the world. To put it differently, there is no indication of a trend suggesting the decrease of this dominance over time, at least over the recent period 2005-2010. The next figure illustrates that the position of American universities in the ARWU ranking has almost remained the same between 2005 and 2010.

Figure 24: Comparison of the 2005 & 2010 Positions of American Universities in the ARWU Ranking



Therefore, it is quite evident that American universities have dominated and continue to dominate one of the most widely accepted rankings of universities worldwide, suggesting that, at least in terms of the strength and success of its universities, America continues to exert a substantial influence on knowledge.

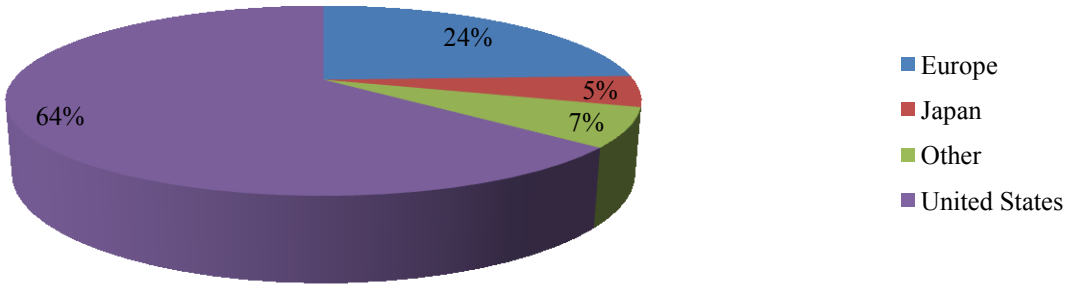
A more focused approach, based entirely on the Nobel Prizes awarded in natural sciences also reveals a similar pattern of American dominance. As illustrated in the next table and figure, between the years 1990 and 2010 (i.e. the past two decades), 64% of the universities / research institutes affiliated with Nobel Prize winners in natural sciences (physics, chemistry and medicine / physiology) were American, with European universities / research institutes coming second at only 24%. The fact that American institutions represent more than half of the institutions affiliated with Nobel Prize winners in natural sciences during the past two

decades is a very clear indication of how powerful the American influence over knowledge still remains today.

Table 14: Distribution of Affiliations with Nobel Prize Winners in Natural Sciences (1990-2010)[111]

Europe	37
Japan	8
Other	10
United States	97
Total	152

Figure 25: Distribution of Affiliations with Nobel Prize Winners in Natural Sciences (1990-2010)



Analysis of the ARWU rankings and the affiliations with Nobel Prize winners in natural sciences therefore clearly demonstrates that American universities and research institutions are still the most dominant in the world, providing the most renowned scientists and researchers, and the most published and cited articles, especially in natural sciences and mathematics. This demonstrates that the United States continues to exert a considerable

[111] It should be noted that Nobel Prizes are sometimes awarded to more than one scientist and that some Nobel laureates have more than one affiliation. *Source: The Nobel Prize available on http://nobelprize.org/nobel_prizes/lists/*

influence over knowledge, and that it enjoys a unique position in terms of this aspect of structural power compared to any other player, including Europe and Japan, which undoubtedly adds to the ability of the United States to sustain its hegemony in the world economy and the international system.

IV. AMERICAN SOFT POWER & LEGITIMACY: A CASE STUDY

In 1991, the United States led a wide coalition of Europeans, Arabs and Americans fighting together under U.S. command to successfully liberate Kuwait and defeat Saddam Hussein, with the blessings of the United Nations, and even with the tacit support of the Soviet Union, then still in existence.[112] This was one of the highest points in the American legitimate hegemony in the international system since the Second World War if not the highest. More than two decades later, in 2003, the United States went to war for a second time with Hussein's Iraq, almost unilaterally and without the participation of any major Arab country, without participation of any of its key allies in Western Europe with the exception of Great Britain, and without the blessings of the United Nations.[113]

The contrast between the multilateral UN-backed operation to liberate an occupied nation in clear implementation of the doctrine of collective international security, and the almost unilateral invasion of a sovereign state outside the boundaries of international law is very clear. In fact, aside from the obvious costs in terms of human loss and heavy economic burden of this war, and also notwithstanding that this war has resulted in greater instability in the Middle East and increased Iranian influence in the region (contrary to American policy objectives), the most serious loss resulting from this war, was the tarnishing of America's image as the leader of the so-called 'free-world' and the diminishment of its legitimacy on the one hand, and the obvious rifts this war has caused between America and several of its closest allies in Western Europe, most notably France and Germany, on the other hand.

[112] Kahsmeri 2007, 1.
[113] Ibid.

The 1991 liberation of Kuwait, a war were America clearly possessed the moral high ground and acted with the approval of the United Nations as a leader of a multilateral and legitimate effort to confront an obvious breach of international law and threat to international security, was evidence of the stabilizing and benevolent role the United States could play through its hegemony in the international system. As a matter of fact, the US-led coalition, having liberated Kuwait, and soundly defeated Hussein's army, could have marched on to Baghdad and toppled him from power, but it did not do so, as the United States elected to remain within the boundaries of legitimacy and the mandate granted by the United Nations Security Council.[114] Hence, the liberation of Kuwait was a triumph for American foreign policy that allowed the United States, as the Cold War drew to an end, to capitalize on its power base and establish its hegemonic role on the solid foundations of legitimacy.

Conversely, the 2003 invasion of Iraq, which was launched without any meaningful Arab support, without the blessings of the United Nations and in spite of serious objections by most of America's key allies in Europe, and in breach of international law, was evidence of the potentially destabilizing role the U.S. could play through its hegemony in the international system, if it decides to act unilaterally without due regard to the legitimacy of its actions or the wishes of its allies. Therefore, refusal to take part in or support the invasion, and opposition to the U.S. efforts to ensure a Security Council cover for the invasion, became a clear policy objective for several American allies in Western Europe, notably France and Germany.[115] This ultimately led to the erosion of any meaningful legitimacy for the US-led

[114] Kashmeri 2007, 25.
[115] Ibid.

invasion, in spite of the participations of other nations, most importantly, the United Kingdom.

Jurgen Habermas summarizes the destructive effects this unilateral war, and the so-called "War on Terror", has had on the perception of America's role in the international system, and especially on American-European relations by arguing that: "The West was not divided by the danger of international terrorism but by policies of the current US government that ignore international law, marginalize the United Nations and accept the inevitability of the break with Europe".[116] According to him, the Iraq war has tarnished the reputation of the United States, marked America's abandonment of its role as the protector of international rights, and in fact signaled America's willingness to breach international law.[117] He contends that this invasion did not meet the legal requirements for the use of military force, as it was neither a case of self-defense nor was it authorized by the Security Council under Chapter VII of the UN Charter.[118]

It is rather tempting to analyze the decision to invade Iraq unilaterally and its consequences with respect to American-European relations in particular, and the international perception of America's role in the international system in general, as an isolated event. However, it is would be more meaningful to place this decision or policy objective within a wider trend in American foreign policy, in order to better appreciate the context of this decision, and hence the huge repercussions it has had and continues to have on American foreign policy, American-European relations, and the international perception of America's hegemonic role.

[116] Habermas 2006, xxii.
[117] Habermas 2006, 28-9.
[118] Ibid.

According to Harald Muller, the invasion of Iraq was an "expression of a particular world view" in the American foreign policy and security circles.[119] He believes that the roots of this worldview date back to the 1970s, and can be found in the work of the "Committee on the Present Danger", a conservative think tank that contributed to the formulation of American foreign policy under the Regan Administration, and which began to effect American foreign policy, and would have continued to move it towards a more unilateral and confrontational approach, had it not been for the sudden demise of the Soviet Union, which required the United States to adopt a more balanced foreign policy.[120] This worldview, according to him, somewhat shaped the "Defense Planning Guidance" of 1992 formulated by the Pentagon, during the reign of the Bush Sr. Administration, then led by Dick Cheney as the Secretary of Defense, and became very evident in the "National Security Strategy" developed in 2002 with the advent to power of the Bush Jr. Administration.[121]

The underlying foundation of this essentially neo-conservative worldview is placing very high importance on securing "freedom of action" for the United States, which particularly manifests itself in refusing to consider further arms control and refusing to be bound by international law.[122] The basis for this approach is that the U.S. should use its sheer power to force a particular order on the international system by actively seeking to impose democracy and free trade without regard for unnecessary legal or institutional constraints and without hesitation.[123] Therefore, according to this approach, international law, international organizations and international regimes could possibly assist in America's efforts to impose

[119] Muller 2006, 267.
[120] Muller 2006, 268.
[121] Ibid.
[122] Ibid.
[123] Ibid.

such order on the international system, but could in the meantime hamper American efforts, in which case America should act on its own and without constraining its decision-making ability.[124]

In the meantime, the United States should realize that so-called "rogue states" are a serious threat to its hegemony and should be prevented through preventative intervention by the U.S. from acquiring superior military capabilities (and in particular weapons of mass destruction), and in doing so, the United States does not need to form or lead multilateral coalitions based on "formal alliances" or "collective security institutions" such as the U.N. or NATO; instead, participation in such preventative interventions should be on the basis of ad-hoc "coalitions of the willing" involving "sympathetic governments". This approach emanates from a belief that the UN is a constraint on the American freedom of action, which is unnecessary, given American hegemony and supremacy.[125] It seems that this approach to foreign policy basically means that the United States "no longer has to play by the rules and has the right and the ability to impose a kind of Pax Americana on the rest of the world".[126]

This new doctrine was detailed in the so-called "Project for the New American Century", and it became very evident that the Bush Administration is driven by the foundations of this doctrine, especially the notions of American "exceptionalism" and "unilateralism", and the overall objective of the U.S. reaching the "full spectrum of dominance".[127] This monumental change in American foreign policy was also declared and detailed in the 2002 "National

[124] Ibid.
[125] Zunes 2006, 26.
[126] Ibid.
[127] Hinnebusch 2006, 291.

Security Strategy", which clearly called for the United States to intervene preemptively against any country the U.S. believes is developing weapons of mass destruction, and even where there is merely a potential for the development of such weapons sometime in the future, which actually means that the United States endorsed a doctrine of "preventative war" and not just one of "preemptive war".[128]

The distinction between those two doctrines is that preemption is founded on the premise of the existence of an imminent threat, whereas prevention pertains to the mere notion of a potential threat, and this is an important distinction because preemptive war has the backing of a few international law scholars, while preventative war is completely inconsistent with international law, which allows the use of force only in self-defense or in application of the collective security arrangements set forth in Chapter VII of the UN Charter. It might be acceptable, nevertheless, to stretch the definition of self-defense to address imminent threats of the use of force, hence allowing for the notion of preemptive war. However, stretching self-defense to addressing potential threats would open Pandora's Box, and allow for the abuse of international law based on subjective assessments of threats, which was actually very evident in the attempts of the United States to justify the war on Iraq on rather lame foundations. In any case, the new American national security doctrine codified and published in 2002 defended the legitimacy of preemptive action[129], but in a manner suggesting that no clear distinction is made between imminent and potential threats, and therefore that no clear distinction is made between preemptive and preventative war.

[128] Zunes 2006, 28.
[129] Huldt 2005, 45.

The Iraq invasion must, therefore, be analyzed within the context of this worldview or approach to the formulation of American foreign policy and security strategy. It is not an isolated event, and should not be perceived as such. In fact, the first few months of the Bush Administration clearly point out to early signs of the huge effect this approach had on American foreign policy during his eight-year reign. For example, there were clear signs, very early on in the life of the Bush Administration, of a deliberate policy to gain freedom of action for the U.S. by avoiding additional international commitments. The Bush Administration, for example, refused to sign the Kyoto Protocol on climate change and the statute of the International Criminal Court (ICC), and even proceeded to terminate the Anti-Ballistic Missile (ABM) Treaty.[130]

The September 11th attacks of 2001 won the United States sympathy all over the world, and in particular in Europe. However, the neo-conservatives within the Bush Administration utilized those attacks to serve their own agenda, and silence opposition from traditional conservatives within the Administration, such as Colin Powell.[131] In the meantime, European skepticism concerning the new trends in American foreign policy did not begin with the Iraq invasion in 2003. Although there was obvious sympathy across the Atlantic, the early record per-9/11 of the Bush Administration did not go unnoticed, and there were even signs of European discomfort with the "missionary" style of President Bush and his staff and the way they sought to exploit those tragic terrorist attacks.[132] In spite of the fact that almost all of the European leaders, supported by European general public opinion, were very supportive of the

[130] Huldt 2005, 41.
[131] Muller 2006, 268.
[132] Huldt 2005, 44.

U.S. and clearly condemned the terrorist attacks, there were some fears that the Bush Administration would use those attacks to launch a disproportionate response.[133]

Nevertheless, the American retaliation against the Taliban regime was mostly acceptable. As soon as the United States established connections between Al-Qaida and the 9/11 attacks, almost all Europeans accepted the need to attack Al-Qaida in Afghanistan, and it is of crucial importance to note here that the war on the Taliban regime was approved by the United Nations.[134] However, when President Bush implied that the military operations could extend to Iraq, Iran and North Korea, the so-called "Axis of Evil", Europe started to become increasingly alarmed.[135] It became clearer with time that the United States is keen, following the war on the Taliban regime, to force the Iraq issue on the international agenda, which was met with discomfort and unease by several of its European allies, most notably France.[136] Europeans supported targeted attacks on terrorists in Afghanistan, but as the rhetoric and policies changed to a global war on terror and a war between 'good' and 'evil', rifts between Europeans and Americans started to emerge.[137] Even before talk of the invasion of Iraq began, concerns started to emerge that the United States was waging the so-called "War on Terror" without a "penal code" and outside the "rule of law", which obviously aroused many sensitivities across Europe.[138]

[133] Lundestad 2003, 274.
[134] Kashmeri 2007, 35.
[135] Lundestad 2003, 274.
[136] Coicaud, Gandois and Rutgers 2006, 238.
[137] Kashmeri 2007, 35.
[138] Kashmeri 2007, 39.

Actually, the plans to invade Iraq evidently pre-dated the September 11th attacks and the launch of the so-called "War on Terror". After the 9/11 attacks, it was quite evident that the Bush Administration is keen on seizing the "momentum" and using this "window of opportunity" to justify an already-existing policy objective.[139] In fact, several scholars argue that the Bush Administration was adamant on changing the American foreign policy with respect to the Middle East region by moving it towards a more aggressive and escalatory approach, based on the premise that this region is both the "key" and the "main threat" to its overall objective of maintaining and expanding American hegemony.[140] As explained above, the Bush Administration subscribed to the notion that the United States is entitled to force the "liberal world order", which is the model perceived as compatible with American national security, on any nation of the world without regard for notions of national sovereignty.[141] Moreover, there was an equally firm belief that resistance to the imposition of this global project should not be dealt with only through the traditional conservative approach of "containment" but also through "preventative wars".[142] The preventative war on Iraq was actually conceived as an essential component of this general hegemonic project put forward by neo-conservatives.[143]

However, aside from the noisy rhetoric and ideology surrounding the so-called "War on Terror", it is crucial to look further into the actual motives that made the invasion of Iraq such a crucial foreign policy objective for the Bush Administration. This is rather compelling

[139] Huldt 2005, 45.
[140] Hinnebusch 2006, 290-1.
[141] Hinnebusch 2006, 291.
[142] Ibid.
[143] Ibid.

because analysis on the basis of the pure national interest of the U.S. suggests that this war should have been far from attractive.

To begin with, the Bush Administration must have been aware that the potential of conflict in the Middle East would result in compromising oil price stability, at least on the short term.[144] In addition, the United States already enjoyed a significant degree of control over the Gulf region and hence over global oil production through a mixture of a strong alliance with Saudi Arabia and the "dual containment" of Iraq and Iran.[145] Furthermore, rising global demand for oil did not threaten American hegemony. In fact, on the contrary, rising oil demand, coupled with the unique political and military influence of the U.S. in the Gulf region, actually served to cement American hegemony.[146] Most importantly, a largely depleted Iraq, served U.S. interests in a multitude of ways, most importantly by helping contain and check Iranian influence, and also by justifying American military presence in the Gulf region.[147] Therefore, from a pure national interest perspective, there is no clear justification for the importance the Bush Administration attributed to the invasion of Iraq. This is of course not to mention the potential risks to American national interests emanating from the negative reception by the international community of such a controversial action, which may have not been fully realized by American policy makers at the time they connived of this idea.

In this regard, Raymond Hinnebusch attempts to explain the attitude of the Bush Administration towards the invasion of Iraq from a different perspective by analyzing the

[144] Hinnebusch 2006, 292.
[145] Hinnebusch 2006, 293.
[146] Hinnebusch 2006, 294.
[147] Ibid.

internal dynamics within the Bush Administration itself. He argues that this policy objective, rather than serving American national interests, served the "particular interests of the very distinctive ruling coalition" inside the Bush Administration.[148] He believes that the election of President Bush marked a "power shift" within the United States from a wide coalition of the "Treasury", "Commerce", "Wall Street" and "mainstream corporate power" to what he calls a "much narrower military-oil complex of interests".[149] He adds that rise of George W. Bush to power marked the "convergence" of the neo-conservative, Zionist affiliated, lobby and the "arms/oil" lobby, especially with regards to policy concerning the Middle East, with the arms/oil lobby giving-up its traditional inclination to "appease" Arab oil-rich regimes in favor of the more aggressive approach of the neo-conservative lobby.[150]

According to Hinnebusch, the main reason for the convergence of the interests of the neo-conservative and arms lobbies is their common goal of increasing military expenditure, which was evident in their cooperation to move the Regan Administration in the direction of starting an "arms race" with the USSR.[151] He adds that those two lobbies resumed their collaboration in the 1990s in the so-called "Project for the New American Century", which was based on forwarding American hegemony, and increasing American military supremacy, while committing to the unconditional support of Israel, and which has as its "centerpiece" bringing about forceful "regime change" in Iraq.[152] As for the oil lobby, he argues that probably the best explanation for its support of this military adventure lies in seeking direct ownership and control of Iraqi oil on the one hand, and the short term interest of increasing

[148] Ibid.
[149] Hinnebusch 2006, 294. See also Jan Nederveen Pietrese, Globalization or Empire?
[150] Hinnebusch 2006, 294-5.
[151] Hinnebusch 2006, 295.
[152] Ibid.

profits as a result of the increase in the oil prices expected to occur as a consequence of the war, on the other hand.[153] Hinnebusch even argues that the war might have been perceived as serving the interests of a wider class of American capitalists keen on reinvigorating the American economy through the inflationary effect a rise in oil prices could have on the economy.[154]

Hinnebusch also stresses on the key and central role played by neo-conservatives in advocating the invasion of Iraq as a central foreign policy objective for the Bush Administration. He contends that the neo-conservatives are closely affiliated with Zionism, and that they hence place huge importance on preserving the national interests of Israel and especially its expansion through settlements.[155] This policy obviously contradicts with the U.S. national interest in preserving its control over oil production, as a balanced approach is, therefore, required of the United States with respect to the Arab-Israeli conflict, in order to accommodate the interests of the Arab oil-producing states, especially Saudi Arabia.[156] The United States, while formulating its policy towards the Middle East, sought to balance between the interests of Israel and Saudi Arabia, and accordingly was always keen on the continuation of the peace process, prompting it to sometimes be critical of aggressive Israeli policies, especially concerning the expansion of settlements. The neo-conservatives attempted to end the need for such a balancing act through the invasion of Iraq resulting in gaining direct access to oil, therefore ensuring American strategic control of the oil market,

[153] Ibid.
[154] Hinnebusch 2006, 295-6.
[155] Hinnebusch 2006, 296.
[156] Ibid.

without requiring the United States to make any concessions to Arab oil-rich states in a manner potentially affecting its full and unconditional support of Israel.[157]

Regardless of the plausibility or possibility of the foregoing explanations, it is rather clear that the Bush Administration, for reasons that are not entirely consistent with American national interests, was adamant on the invasion of Iraq even before the September 11th attacks and the beginning of the so-called "War on Terrorism". It is also clear that, in spite of the notions of American "exceptionalism" and "unilateralism" pervasive in the foreign policy and national security doctrine applied by the Bush Administration, it attempted to exploit the September 11th attacks, and the resulting international sympathy with the U.S., to somehow justify the invasion of Iraq and gain some measure of legitimacy for this war. Although several voices inside the Bush Administration desired for the United States to commence operations against Iraq without the approval of the United Nations or the support of NATO, President Bush decided to seek the support of the UN, and hence rather than focusing on the real policy objective of bringing about regime change in Iraq by force, the U.S. had to justify military action against Iraq on other grounds, which prompted the Bush Administration to refer to Iraq's potential possession of weapons of mass destruction, building on a history of Security Council resolutions addressing the issue.[158]

In the beginning, the United States used Iraq's refusal to allow the UN Special Commission (UNSCOM) weapons inspectors back into Iraq to confirm that Iraq has destroyed its weapons of mass destruction as a pretext for the invasion; however, negotiations between

[157] Ibid.
[158] Lundestad 2003, 275.

Iraq and the United Nations resulted in Iraq announcing in the late summer of 2002 its acceptance of the return of the inspectors under the newly formed UN Monitoring, Verification and Inspection Commission (UNMOVIC).[159] It should be noted that the UNSCOM inspectors withdrew from Iraq in late 1998 before a four-day US bombing campaign launched by the Clinton Administration, which allowed Iraq to refuse their return claiming that they were involved in espionage activities.[160]

Nevertheless, and in spite of Iraq's announcement of the return of weapons inspectors, and as preparations were already underway for the invasion, the United States began discrediting UN inspection efforts, which were at the time generally believed to be successful, and as it turned out after the invasion were confirmed to have indeed been efficient.[161] The United States was keen on forcing the Iraq issue on the international agenda, insisting that the risk that Saddam Hussein would supply terrorists groups with weapons of mass destruction out of his arguably still existing arsenal could not be tolerated, and by the summer of 2002, the Bush Administration was actively seeking to mobilize the support of its European allies and the United Nations for military action against Iraq on those grounds.[162]

When concrete evidence of Iraq's possession of weapons of mass destruction appeared elusive, the Bush Administration tried to employ another tactic by attempting to link Saddam Hussein to Al-Qaida.[163] This proved to be even a more outrageous attempt that did not resonate well with the international community, particularly that the ideological differences

[159] Zunes 2006, 22.
[160] Ibid.
[161] Ibid.
[162] Huldt 2005, 45.
[163] Zunes 2006, 23-4.

between the decidedly secular Hussein and the decidedly Islamist Bin Laden made any true potential for such cooperation rather inconceivable.[164] The Bush Administration could only cite the "mutual antipathy" for the U.S. that Iraq and Al-Qaida share to quite lamely explain that their cooperation is possible, failing to provide any material evidence of their association.[165]

When the issue was actually first discussed in the Security Council in late 2002, France and Russia, with the help of other countries, were successful in introducing substantial changes to the draft resolution proposed by the United States and the United Kingdom, such that the resolution adopted in November 2002 fell short of explicitly authorizing the use of military force against Iraq.[166] With time, it became clearer that the U.S. would launch the invasion in spite of the lack of evidence of Iraq's possession of weapons of mass destruction or of its alleged ties with Al-Qaida, regardless of the absence of a UN cover, and notwithstanding opposition from most of the international community, including many of its key allies.

As the U.S. proceeded to obtain international approval of its plans, the European governments were split on the issue. The United Kingdom, under Prime Minister Blair, was quick to announce its support of the U.S. It was joined by a number of other governments that were either right of center and/or ruling nations traditionally "Atlantic" in their orientation, such as Italy, Spain, Holland, Denmark and Ireland, and also joined by most of the countries of Central and Eastern Europe, which relied heavily on the U.S. for their

[164] Zunes 2006, 24.
[165] Ibid.
[166] Cortright 2006, 86.

security and independence from Russia.[167] On the other hand, France and Germany were clearly opposed to any prospect of military action against Iraq outside the umbrella of international law, and they were supported within the European Union by Belgium and Greece, and also joined by the neutral Sweden, Austria and Finland.[168] The positions of France and Germany, which are the most important nations in Continental Europe, the central countries in the European Union, and two of the most important allies of the United States, merit some closer attention.

With regards to France, President Chirac was firmly supported by the French public opinion in his objections to the planned invasion and efforts to justify it.[169] This position was consistent with the French foreign policy objectives based on the premise that international affairs should be conducted in a "multipolar" and "multilateral" manner, and that consequently the recognition of America's prominent role in the international system does not mean that the U.S. can ignore international rules and norms.[170] France is not traditionally opposed to the use of force as a matter of principle, and in the Iraq case did not necessarily rule out this possibility; however, given the lack of evidence of a clear threat, it was more important for France to stress on the importance of legitimacy and international law than support its ally.[171]

[167] Lundestad 2003, 276.
[168] Ibid.
[169] Lundestad 2003, 227.
[170] Coicaud, Gandois and Rutgers 2006, 241.
[171] Ibid.

As for Germany, it appeared clear that the united Germany, now at the heart of the European Union, was far more European than Atlantic. As a matter of fact, Chancellor Shroder was quite vocal in explicitly opposing the war, stressing that Germany would not contribute neither militarily nor economically to the war effort, and even if it was approved by the United Nations.[172] As events unfolded, this position proved to be a decisive factor in the German elections held in the fall of 2002, which was closely won by the socialist-green coalition he belonged to.[173]

The war was not only opposed by the governments of several key European allies of the United States; it was also opposed by the general public opinion throughout Europe and even within the countries that officially supported the invasion. For example, according to opinion polls, 90 percent of the Spanish population, 87 percent of the Italian population, 79 percent of the Polish population and 55 percent of the British population, were against the war.[174] As a case in point, on 15 February 2003, across hundreds of cities throughout the world, nearly 10 million people took to the streets demonstrating against the then apparently imminent war, including about 1 million people in London alone, noting that the United Kingdom was the only meaningful ally of the U.S. in the war.[175]

The result of this worldwide opposition was very clear when the United States returned to the Security Council seeking UN approval for military action against Iraq. The U.S faced clear

[172] Lundestad 2003, 227.
[173] Ibid.
[174] Kashmeri 2007, 35.
[175] Cortright 2006, 75.

opposition from Russia and France, and also by Germany, which was then a non-permanent member of the Security Council. Even more notably, six non-permanent members of the Security Council, other than Germany (Chile, Mexico, Cameroon, Guinea, Angola and Pakistan), opposed the American proposal.[176] The opposition by those six non-permanent members was a true diplomatic humiliation for the U.S. and a crushing blow to its international prestige, given that some of those countries are traditionally viewed as falling within the direct sphere of influence of the United States.[177] The historical significance of this incident cannot be stressed more, as this was a very rare instance of the United States failing to get the United Nations to endorse an action of central importance to American foreign policy.[178] It was the first time in the history of the UN that Western allies of the U.S. openly competed with it for the votes of non-permanent members of the Security Council in order to ensure an American proposed resolution cannot see the light.[179]

After its failure to obtain approval by the Security Council, the United States announced that it would seek such approval for a second time but that it would proceed with military action against Iraq irrespective of whether or not a Security Council resolution is passed approving such action.[180] This was an attempt to pressure the international community into accepting a resolution, as a compromise, in order to preserve the prestige of the United Nations. This was soon met with a retaliatory veto threat not only by Russia but also by France.[181] The threatened French veto is also of significant historical importance, as it is a very rare instance

[176] Cortright 2006, 86-7.
[177] Cortright 2006, 87.
[178] Ibid.
[179] Kashmeri 2007, 26.
[180] Ibid.
[181] Ibid.

of a veto threat by one of America's allies enjoying a permanent seat on the Security Council concerning a resolution proposal supported by the U.S.

The rifts between the United States and several of its key allies in Europe were not confined to the United Nations, as they also manifested themselves within the NATO context. An internal NATO crisis surfaced when Turkey requested the deployment of Patriot missiles for its protection from potential Iraqi attacks, only to be met with opposition from France and also Germany.[182] Although the crisis was ultimately averted due to a procedural circumvention of the French-German opposition, the extension of the Western divide on the Iraq war to the NATO alliance was another setback for American foreign policy.[183] As several key European states solemnly opposed America's willingness, under the Bush Administration, to act unilaterally and without the approval of the United Nations, they were also signaling to the U.S. that NATO can only be used after a European-American consensus is built, and that absent such a consensus, America would indeed be forced to act unilaterally.[184]

The American decision to almost unilaterally invade Iraq without UN approval, in breach of international law, and without the support of NATO and most of its European allies, significantly undermined its legitimacy as a leader of the 'free world', tarnishing its image in an unprecedented manner and severely jeopardizing its creditability. This resulted in a

[182] Huldt 2005, 46-7.
[183] Ibid.
[184] Kashmeri 2007, 47.

crushing blow to America's legitimacy and in an unprecedented erosion of American soft power.

First, the U.S. was unable to pass a resolution approving the invasion through the Security Council, and was met with opposition by seven of the non-permanent members of the Security Council, thereby shooting down its proposal without the need for a veto by the opposing permanent members. This was a severe blow to American prestige as most of those states were developing countries, traditionally assumed to be within the American sphere of influence. Second, the U.S. was firmly opposed inside the UN by two of its most important allies, namely, France and Germany, that both competed with the U.S. for the votes of the non-permanent members of the Security Council, in a truly historic scene. Third, the U.S. was faced with the prospect of a French veto of a resolution proposed by the U.S. on an issue of central importance to the U.S., again another historic challenge of the American hegemonic role. Fourth, as an even more meaningful challenge of American hegemony, France and Germany took their opposition of the war to the NATO level threatening in the Turkey crisis to defy the United States within NATO itself, hence rocking the foundations of American hegemony in the context of transatlantic cooperation.

This highlights the fact that America soft power is tied firmly to the legitimacy, or perceived legitimacy, of its actions. The U.S. is not unconstrained in the formulation of its foreign policy and national security strategy, and a doctrine based on the notion of American "exceptionalism" and "unilateralism" would result in the erosion of American soft power.

The U.S., in order to count on the support of its allies or even the countries falling within its sphere of influence, must ensure that its actions are perceived as legitimate by the international community, and hence America should act within the boundaries of international law, and should be engaged in international organizations and regimes. It cannot simply force its own vision on the other actors within the international system and global economy, as they are both willing and able to defy the United States, if its actions are perceived as illegitimate, and the U.S. cannot afford such defiance because it would expose the contradictions between American interests and those of other actors, and therefore threaten the foundations of the American hegemony based on legitimate domination.

V. Conclusion

The United States possesses a considerable degree of structural power in the international system and the global economy, as (a) it continues to control or, at least, influence the security of many key actors in the international arena, most notably in Western Europe, the Far East and the oil-rich Gulf region; (b) as American-based corporations, especially in the banking and information technology sectors, dominate the global economy and hence dictate the structure of global production; (c) as the United States, through the extraordinary position of the U.S. Dollar as a global reserve currency, controls the structure of international finance and credit; and (d) as American scientists, inventors, universities, research institutions and corporations exert a considerable degree of influence over global knowledge and culture.

However, as demonstrated by the War on Iraq (2003) and the events that preceded it, most notably the rifts between America and many of its closest allies in the West, the United States cannot afford to act unilaterally and outside international regimes and in breach of international law. In order to maintain its hegemonic role, the U.S. cannot risk deliberately eroding its soft power in the international community, especially vis-à-vis the governments and peoples of its closest allies.

To act in a unilateral manner and without concern for the legitimacy, or perceived legitimacy, of its actions, America would be planting the seeds for the end of its legitimate domination of the international system and the global economy, and would thereby effectively move from a

position of integral hegemony, where its interests are aligned with those of most of the other actors in the international system, to a position of declining hegemony, where its interests are in obvious contradiction with those of several other key actors in the international system prompting them to challenge it.

Such change of position, from integral to declining hegemony, will ultimately, and with the passage of time, expose the U.S. to serious challenges that, regardless of its obvious structural power, it will not be able to meet simultaneously on its own. The potential for the loss or decline of American power and hegemony does not therefore emanate from a decline in America's relative capabilities or sources of power. On the contrary, the U.S. still enjoys a unique position in international affairs that it can sustain with its current capabilities regardless of their decline relative to the capabilities of other powers or actors.

It is actually the foreign policy of the U.S. that can cement or deplete its hegemonic position. A foreign policy that is based on expanding and capitalizing on America's soft power would preserve American hegemony and make the most of America's structural power. Conversely, a foreign policy that depletes and destroys America's soft power would expose the U.S. to challenges that, in due course, would erode its structural power and waste its power resources. Therefore, the central debate concerning the longevity of American hegemony should actually be a debate on American foreign policy, or on how the U.S. should best manage its power resources in the international arena, and should not by any means remain an empty purely empirical analysis of the absolute or relative decline or persistence of the material indicators of American power.

The United States does not need to manage the decline in its power resources because it retains a considerable degree of structural power that is enough to ensure its continued hegemony. However, the United States needs to realize the limitations of its structural power, which allow it a degree of legitimate domination of the international system and global economy, if, and to the extent that, American policies are in harmony with the perquisites of legitimacy. As such, the U.S. can maintain minimal hegemony in the international system, as long as American policies are formulated and applied within a framework that adheres to a general policy of cooperation with other key actors within important international institutions, especially the United Nations and NATO, and the boundaries of international law. American unilateralism, on the contrary, would result in the alienation of America's allies, especially in Western Europe, and effectively erode America's soft power.

Therefore, the U.S., although still enjoying a hegemonic position, cannot operate in an unconstrained or uninhibited manner, and should seek to align its interests with those of the other key actors in the international system and global economy, or at least avoid any acute contradictions between those interests. This is especially important with respect to the American allies in Western Europe, as the most valuable source of American soft power is the image of America as the rightful leader of the so-called 'free-world'.

The tarnishing of this image by embarking on unilateral foreign policy objectives, without due regard to the requirements of meaningful transatlantic cooperation, can potentially end the current phase of American legitimate domination of the international system, and not necessarily through a united Europe directly confronting the United States, but rather by

gradually isolating the United States, denying it resort to the capabilities of its most important allies in managing the international system and global economy, and hence exhausting its own capabilities and stretching them to the limit.

In the meantime, American policies should not deviate from the normative foundations of Western philosophy and culture, in particular placing very high importance on adherence to the rule of law in international relations, as otherwise the U.S. would risk exposing itself to resistance from many of its closest allies, let alone its adversaries. In order to preserve its hegemony, the U.S. must therefore apply a foreign policy doctrine based on clear normative values, and seek to uphold those values through cooperation with American allies in various international institutions. Those institutions are, therefore, not superfluous by any means; rather, they are required to preserve the legitimacy of American foreign policy objectives.

In conclusion, one can safely argue that American hegemony is not on the decline from the structural power perspective. To put things simply, America still holds the highest cards in the international 'poker game'. However, America must avoid playing the 'hand' poorly by depleting its soft power and undermining the legitimacy, or perceived legitimacy, of its actions. It is actually the anxiety over the decline in American power (and the unilateralism, isolationism or expansionism this is often translated into in terms of foreign policy) that would expose weaknesses in the power base of the U.S.

No matter how strong or dominant the United States might currently be, it cannot unilaterally address several challenges to its hegemonic role simultaneously, nor unilaterally confront all

of the problems in the international arena. America needs to cooperate, for example, with many actors within the international system, whether close allies or not, in order to prevent the horizontal proliferation of weapons of mass destruction and confront the security threats of radical Islamist militant groups, in order to manage crises in the global economy, and in order to address the threats posed by global climatic change.

Therefore, in order to propel America into a new phase of hegemony, American foreign policy should aim at more openness and cooperation with the rest of the world, and more engagement in international organizations and institutions, or to use Robert Cox's conception of hegemony, America should couple its raw material power with norms and institutions to achieve true hegemony. In fact, the more the U.S. resorts to brute force or naked power, as was the case in the Iraq invasion, the less hegemonic it actually is and the less hegemonic it will ultimately become.

As such, the change in the foreign policy outlook of the United States during the current term of the Obama Administration, as highlighted in the National Security Strategy of 2010, is a step in the right direction, and can begin to restore America's position of legitimate domination, which it had enjoyed previously, especially after the end of the Cold War, and which was somewhat damaged by the Bush Administration, especially as a consequence of the decision to unilaterally invade Iraq in 2003. The National Security Strategy of 2010 actually refers explicitly to themes such as "Strengthen the Power of Our Example", "Ensure Strong Alliances" and "Strengthen Institutions and Mechanisms for Cooperation", which point out to a shift in American foreign policy towards more emphasis on the importance of

values and norms, improving American soft power, restoring meaningful cooperation with allies, and working through international institutions.[185] It remains to be seen whether this actually marks a change in doctrine or a mere change in rhetoric, and it remains to be analyzed how this change, regardless of its nature, is going to affect American hegemony within the coming few years.

[185] Available on http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf.

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