Free-market liberalism is now proclaimed a universal model for success, but this belief is based on a partial and limited worldview. The coming decades will provide a test of whether the continuously unfolding movement of American-inscribed world order has a proper claim to universality.
That decade capped an amazingly quick American rise to world power: The United States had 29 percent of global industrial production in the 1880s, 36 percent by 1913 (compared with Britain's 14 percent) and 42 percent in 1929-the highest percentage ever, save for the abnormal period just after World War II when all the advanced industrial economies had suffered extensive war damage, except for the unscathed United States-which temporarily held half of all global production. This period witnessed the fruition of assembly-line mass production, as is well known, with Henry Ford's Model T, demonstrating the capacity to turn out automobiles like cookies, and his high, $5-a-day wage, which enabled Ford's workers to purchase them. Less appreciated was the pioneering combination of salesmanship, mass advertising and easy credit that General Motors used to compete with Ford and to saturate the American market with automobiles (from 1920 to 1929 the per capita auto-ownership rate went from 1 in 13 people to 1 in 5, a level not reached by other industrial countries until the sixties).

In the same decade a Russian immigrant named Sam Donald, a self-taught engineer working in wireless communications for the Navy, had the vision of a radio in every home. In the twenties RCA emerged under his leadership, and American firms paid for the free radio programs by advertising their wares-in every home. Seventy years later another government invention, called the Internet, also plastered with advertising, would invade the household. Historian Olivier Zunz, whose book Why the American Century? is a useful contribution amid the current hailstorm of self congratulation, reminds us that as early as 1914 Walter Lippmann linked democracy to "the right to purchase consumers' goods at low prices"; Zunz highlights a pragmatic American coalition of business, science and government yielding a huge variety of applied technology oriented toward mass consumption and commercialism, in the twenties and after-"an array of original achievements in science and industry" that led to "a concurrent and deliberate reorganization of society."

A Great Leap Forward?

It was Austrian thinker Joseph Schumpeter who best understood the extraordinary growth spurt of the twenties. Schumpeter was, among other things, a theorist of business cycles of all kinds who understood this new burst of wealth to be a combination of new technologies (the assembly line), cheap credit (like GMAC) and cheap energy (petroleum, gushing into the market as American firms developed California and Texas wells) combining to produce a "leading sector" or flagship industry: automobiles. He focused on structural changes in the economy, qualitative changes that conventional economists-with their emphasis on incremental quantitative change and equilibrium models-have trouble explaining.

Now think about our era: For the past several years economists, not least among them Federal Reserve Chairman Alan Greenspan, have been trying to figure out how the American economy can grow so fast with effective full employment, and yet not create inflation. The conventional explanation would look for gains in labor productivity, but (at least until recently) the data did not show gains sufficient to account for this phenomenon. Chairman Greenspan has frequently speculated, therefore, that something new must be happening-perhaps the efficiencies of the information age could not be captured by conventional data-gathering, or they would show up in the future. Lo and behold, productivity gains began climbing again in 1996; productivity rose 2.8 percent in 1998, then leaped forward 5.4 percent in the last half of 1999.

Were Schumpeter alive, he would say that we have a new leading-sector technology (the microchip), cheap energy (gasoline costs about the same today as it did in the fifties) and a unique combination of the two in that the silicon chip requires raw-material inputs that are no more than 3 percent of its cost (compared with 40 percent for automobiles), and the energy to run them is so minuscule that computers can be turned on all the time; that the information courses through fiber-optic cables, which can transmit many times the number of messages of copper telephone wire yet require 5 percent of the energy to produce as compared with copper; and finally that credit and wealth creation has been so dizzying (American credit drove the domestic and world economy in the nineties, with Internet stock offerings jumping 500 percent in one day) that entire cities seem to be transformed almost overnight-like San Jose, for example, now undergoing a growth spurt worthy of Los Angeles in the twenties and one of the larger exporting cities in the United States.

America's contemporary prowess, of course, is sticking badly in the craw of any number of Europeans these days, as editorials like this one from London's centrist Independent illustrate: the dumb certitude; the contempt for the poor; the facile amiability; the ostentatious religiosity; the callous laws; the love of guns; the Hollywood sensibility; the all-consuming fetish for material success; the showy insubstantiality of its politics; the celebrity junk; the infantile literal-mindedness; and the faith, withal, in America's planetary moral superiority.

I might be inclined to agree with this critique-I certainly recognize my fellow Americans in it-but so what? The historian in me would point out that the same thing could have been said (and was more than once) by Sinclair Lewis and other writers-- back in the Roaring Twenties.

The Sign of a Good Brand

If we retrieve the February 17, 1941, issue of Life, which carried Henry Luce's original essay, "The American Century," we find him saying that the consumptive paradise that had arisen in the twenties ("the abundant life," as Luce called it), should be available "for all mankind" once they wake up to "America's vision." This program, of course, should not march forward just with an overflow of consumer durables, but under the banner of American idealism: "It must be a sharing with all peoples of our Bill of Rights, our Declaration of Independence, our Constitution, our magnificent industrial products, our technical skills. It must be an internationalism of the people, by the people and for the people." Luce held out to underdeveloped peoples the chance to escape their problems by becoming American-an absurd proposition in 1941. But he put his finger on a truth-one that keeps people from all corners of the world immigrating to this country. Jean Baudrillard once wrote that the American flag itself was the "trademark of a good brand"; Henry Luce knew that in 1941.

Even in remote Tibet people seek consumer (or couch-potato) heaven: Take "Darchi," a middle-aged peasant who, as he harvested barley near his mud-brick village, told an American reporter that he didn't really care about independence from China: "I want to buy a television, and then I can sit back and drink barley beer and..."

Continental Isolated

So read a London newspaper headline during the heyday of the empire on which the sun never set. England and Japan both occupy small islands, set just far enough away from the mainland to breed a solipsistic sense of ineffable superiority. But the American position in the world owes much to being the first hegemonic power....
to inhabit an immense land mass: a continent open at both ends to vast potential markets. The United States is the only industrial country with long Atlantic and Pacific coasts, making it simultaneously an Atlantic and a Pacific power; the historic dominance of Atlanticists (Henry Kissinger and Samuel Huntington are contemporary examples), gazing upon a Europe whose civilization gave birth to our own, averts our eyes from this fact. Indeed, the Continental Divide still makes a New Yorker uncomfortable in Los Angeles (and vice versa).

Franklin Roosevelt’s New Deal signaled the direct involvement of the federal government in the industrial development of the far West. The New Deal was instrumental in building massive infrastructures (like the Grand Coulee Dam), in the management of Western lands and the immense water works necessary to till them (through the Soil Conservation Service and other means), and, under federal auspices and emergency conditions, in subsidizing heavy industries connected to the war effort. Southern California’s rapidly emerging aircraft business was completely dependent on government contracts; military industries ran three shifts during the war, with airplanes accounting for 34 percent of all production; the population of Los Angeles increased by a third from 1940 to 1950. Washington also subsidized all kinds of social overhead in the area: the railroads, the highways, the airlines and the water needed for a vast commercialization and suburbanization.

If Los Angeles symbolized the prowess of America’s West Coast at midcentury, at the end of it the symbolic city is Seattle. I lived in Seattle for ten years, beginning in 1977. Coming from New York, it struck me as an isolated and insulated backwater: an Omaha that happened to be situated on the Pacific Coast. The city fathers seemed unaware of the opportunities beckoning across from the great ocean. The city was just then emerging from the “Boeing bust” of the early seventies, when severe job cuts caused an even more severe recession; the joke was to ask the last person leaving Seattle to turn out the lights.

A decade later Microsoft had replaced Boeing as the flagship industry of Seattle, a world-class monopoly every bit as important to the American position in the world as John D. Rockefeller’s Standard Oil a century earlier. City fathers funded an enormous new port sprouting hundreds of container-ship cranes, helping to make of Seattle a major American exporting city, and nearly foamed at the mouth to deepen the burgeoning Pacific Rim trade. The state’s Congressional delegation had become the leading pillar of free-trade legislation. Boeing had long backlogs of 747s on order-from China.

In other words, the advantage of a continental economy is that things can be falling apart in one region (the Rustbelt in the 1980s) and coming together in another (America’s Pacific Rim). Today Los Angeles and Seattle are enormously dynamic, polyglot Pacific Rim cities of extraordinary multietnic and multicultural diversity, wired-up centers of the revolution in communications and entertainment and Internet commerce.

Hegemony Means Never

Having to Say You’re Sorry

What is hegemony? After a recent lecture a student asked me why it was so difficult in this country to have a reasoned discussion about this phenomenon; the minute you use the word, someone accuses you of being a Marxist. Recently postmodern scholar Judith Butler tried to unpack her views in a New York Times editorial: Hegemony, she explained, is when something is so powerful that you have no conscious awareness of it. There is a potent surreptitious mastery that comes from that which cannot be named. By refusing the name “hegemony,” we also refuse a debate about what it is and what it means for the American people. The result, in my opinion, is that hegemony is least understood at its own point of origin—the United States.

Dean Acheson was present at the creation of this hegemony, as the United States grasped for world leadership amid the regression of the British Empire; as he put it, America was for the first time in the position of a person who, “on the death of a parent, hears in a new way the roaring of the cataract.” Acheson’s problem was to be pregnant with an idea that he could not articulate, lest Harry Truman lose the next election (for example, by announcing that the United States had now replaced England as the power with all the burdens-of last-resort in the world system). To put it differently, the internationalist forces in American politics lacked a strong domestic base, particularly in Congress, which held many former isolationists (not to mention lunatics like Joe McCarthy, who astonished Wall Street by calling Acheson a Communist). George Kennan provided the solution to this dilemma with an elegant metaphor; containment. Imagine, a doctrine defining hegemony by what it opposes, obviating the necessity to explain to the American people what it is and what its consequences will be for them. It is only today, after the fall of the Berlin wall and the collapse of the Soviet Union, that Americans can see this obscured, underlying system that keeps going in spite of the disappearance of its ostensible raison d’etre the Communist bloc.

A central aspect of the containment project was to revive the industrial production of just-defeated Germany and Japan, to knit together a productive coalition that would revive both countries, keep Communism at bay, get them off the American dole, rejuvenate the middle classes and thereby extend American-style mass consumption to our allies. Japan and West Germany were posted as industrial workshops; cheap energy from the Middle East fueled their recovery and also created markets for American goods. Germans drove off in their Volkswagens, Italians in their Fiats, Frenchmen in their Renaults and Japanese in their Toyotas—into a consumer paradise that recapitulated America’s leap forward in the twenties.

This “liberal” order encompassed a vast globalization, eventually encompassing millions of American troops stationed at hundreds of bases in thirty-five countries, a blue ocean Navy and an Air Force that was for decades the key carrier of nuclear weapons, a phenomenon often treated as an unfortunate result of the bipolar confrontation with Moscow. This archipelago of empire easily survived the end of the cold war. Today it still holds the post-World War II settlement in place, and denies us the opportunity to see if the pacifist norms inculcated in Japan, or the liberal norms of Germany, will survive the removal of US troops and a return to full security autonomy. More important, by basing troops in the territories of the second- and third-largest economies in the world half a century after the last global war ended, the United States has a breadth of comprehensive advantage that neither the Dutch nor the British empire ever imagined. In this sense, the global reach and power of the contemporary American realm can only be compared to the Roman Empire.

In sum, this form of hegemony is potent, and it has a message: the capitalist market, the open door, pluralist democracy and self determination. If this last element was often honored in the breach by Washington, it nonetheless has been a potent political and cultural ideal in the American arsenal since Woodrow Wilson first articulated his famous “Fourteen Points.” Today this heterogeneous mix of Wilson and Nixon, Roosevelt and Reagan, Bill Clinton and Jesse Helms, seems to have no rival on the horizon that could possibly hope to take its measure.

The Techno-World and Globalization

For the past few years “globalization” has been the mantra of Wall Street, idyllic snowy gatherings in Davos and, of course, the Clinton Administration. But this term hides as much as it illumines; it is often a euphemism for Americanization, just as the “multinational” corporation began as, and often remains today, an American or Japanese or German corporation operating in other countries. The endless, seemingly touting of globalization muffles attention to new circuits of power in the same old places, ones that have grown apace with the upheavals of the microchip. Why upheavals? Because one settled industry after another has been undone by Information Age technology. This is most obvious in the quick obsolescence of the hugely expensive trunk lines, switching stations and home telephone trappings of the big telephone companies. Fiber optics allows many more messages than old copper wires, as we have seen; digital switches are so
capacious that a single smaller country can be handled with one switch; cellular circuits boom throughout the world and enable a country like China to leapfrog over the cost of putting a wired telephone in every home. The massive deregulation of recent years is both a consequence and a cause of these upheavals, but it has been a key element in freeing up the new technologies.

The new information technologies make feasible enormous new networks of power, centralizing control and management in several urban nodes (New York, Los Angeles, London, Tokyo). A key reason for the renaissance of New York City as a financial and cultural capital in the nineties was its concentration of service industries (accounting, law, finance, advertising, stock markets); services are the largest sector in the American economy now. Susan Strange has shown that the top six accounting firms in the world are all Anglo-American; together they audit fully 494 of the Fortune 500 firms, yielding a combined income of $30 billion a year.

Nine of the top fifteen public telephone operators are based in the United States, with five more in Europe and only one in Japan (state-owned Nippon Telephone and Telegraph). Thus North America and Europe accounted for 75 percent of all telecom revenues in 1993.

As Saskia Sassen of the University of Chicago has argued, this process does not weaken national governments and make of our era one in which transnational corporations rule, because only states can legislate the rules of globalization. This is evident in the coordination of the United States, Britain and the European Union in legislating the domain and the rules for new international zones like the European Union and NAFTA (united markets for transnational business), thus to support and propel globalization. American standards of all kinds are the new standards of globalization; Practices that are grouped under the august social fiction known as "the rule of law" are organizing the globe in their image, through the growth of transnational legal regimes based on Western practices of property rights, contracts and transparency-the highly developed legal framework for the conduct of world capitalism, and something on which every transnational corporation depends.

The champions of the Internet and cyberspace pride themselves on the democratic and egalitarian openness of their transparent electronic sphere. But power also abhors a vacuum. Corporations are hierarchical organizations in competitive environments that make transparency anathema; they are opaque, making secret and often unaccountable decisions, with phalanxes of highly paid lawyers to protect them; meanwhile, they demand transparency of everyone else in their environment--especially consumers (who can feel like they have visited a proctologist just by applying for a mortgage), but also entire nations subjected to the prying eyes of the IMF and the World Bank.

This same centralization of power estranges and isolates regions of the world, which often lack even the most basic technology of our age, electricity. When President Clinton visited a remote village in Africa in 1998 and urged that the local school connect to the World Wide Web, he did not appear to notice that the school had no electricity. Using the Web I can find satellite photos of this village, learn the ethnicity of its inhabitants and count the number of homes with running water. But the villagers cannot see me or the World Bank employees who catalogue such information. And because knowledge is power, they are less free than before the advent of the computer. Instead of homogenizing these Africans, turning them into the Americans they no doubt would like to be (given the alternatives), they technological annulment of temporal/spatial distances,” in Zygmunt Bauman’s words, tends to polarize us and them. A deepening spatial segregation between rich and poor, both within countries and in the world as a whole, defines our era, and enhances central power just as it peripheralizes those left behind, creating new polarizations of wealth and poverty that have only increased in the past two decades. One of the most striking elements in the recent economic boom in the United States is that household income has increased slowly and incrementally while wealth has grown geometrically (especially in stock holdings); household income was basically stagnant from 1975 to 1995, even if it has increased gradually in the past five years. Such a process, of course, yields a massive transfer of wealth from the poor and middle classes to the top decile of the population.

While some argue that such data prove that American economic decline continues, it is far better evidence of the power of the owners of capital and expertise.

Corporations are mobile, while residential communities are not; professionals who are technically competent and well paid move faster than ever, and are festooned with portable devices to keep them in touch with some center (portable computers, cell phones, beepers and pagers), while those in nonprofessional jobs, rooted to a place, lose out. The growing service sector, now hitched to the microchip, also polarizes income between a handful of very high paying positions and a mass of low-paying and often part-time jobs.

This creates an enormous problem for the (Keynesian) demand-promotion so essential to maintaining American-style shop-till-you-drop consumption, because you can't maintain a Luccian middle-class lifestyle on stagnant wages. Much more important, however, is the pressure brought to bear by neoliberal efficiencies on existing social arrangements that were the ubiquitous products of the Post World War II settlements in all the industrial countries (the welfare state in the United States, the social market in Germany, the cradle-to-grave permanent employment and welfare of postwar Japan), and that put a floor under poverty and did so much to create huge middle classes. This pressure has now set off a major oppositional movement to neoliberalism and globalization in Western Europe-and in Seattle and DC-with intellectuals coming to see the US challenge as a civilizational confrontation, a matter of life and death: how to protect hard-fought gains for the working and middle classes against an untrammeled “ecumenical gospel” of neoliberalism pioneered by Thatcher and Reagan, but made into his own by the domestic and foreign economic policies of Bill Clinton.

Since 1993 the Clinton Doctrine” has been one of aggressive foreign economic policy designed to promote exports and to open targeted economies to American goods and investment, while maintaining the cold war positions that give Washington a diffuse leverage over its allies like Japan and Germany and that pose a subtle but distinct threat to potential adversaries like China. All this goes on under the neoliberal legitimation of Smithian free markets and Lockean democracy and civil society-that is, Luce’s “American vision.”

All the systemic alternatives to the One World of multinational capital have collapsed: above all, the Eastern bloc and the Soviet Union in 1989-91, but also the neomercantile model of East Asian development in Japan and Korea. The least noticed collapse of our time is that of the Third World, the site of revolutionary nationalism and anti-imperial wars for three decades after 1945, the self constituted alternative to both blocks in the cold war that lasted from the 1955 Bandung Conference through the NonAligned Movement and into the late-seventies demands for a New International Economic Order. Twenty years later we have a collection of failed states running from Zambia to North Korea, an enormous if amorphous population of stateless people from Kosovo to Sudan and the recurrent television spectacle of millions of people starving to death, from Sudan again to North Korea.

The Third World moves not up the developmental ladder, but from statehood to catastrophe. It is dominated by the advanced countries in a way unprecedented since the colonial era, and with most of it outside the loop of the prosperity of recent years, it is the prime source of war, instability and class conflict-but with no convincing antisytemic model to follow.

At the turn of the new century Americans revel in the robust middle age of US global leadership. Instead of a premature end to the American Century or a coming clash of civilizations, today there appears to be one dominant global civilizational, the American, and several atavisms masquerading as civilizational challenges-Islamic fundamentalism, Balkan mayhem, the (not very) Confucian East, the obsolescing economic nationalism of Japan and South Korea, the declining Chinese Communist grip on a rapidly growing capitalist China and a Russia that does not appear to have an economy in 2000, let alone a competing civilization. This world, however advanced it may appear, is the anticipated consequence, the unfolding of the liberal hegemony that American internationalists like Acheson.
envisioned in the peculiarly American moment of 1945. Because of the Other-Soviet Communism, old-world imperialism, national liberation movements—the boundaries of the system were policed by naval task forces, the nuclear delivery capabilities of air forces and, above all, the archipelago of American military bases. But when the Other disappeared, the structure continued in place and, in the 1990s, achieved the full florescence that its planners had imagined in the 1940s. That is, the "New World Order" that George Bush and many others cast about for after 1989 was both the same old order and the ongoing fulfillment of postwar planning. A certain balance of power holds sway in Europe, where three advanced industrial nations of roughly the same size (England, France and Italy, all with GNPs of around $1.25 trillion) constrain the largest power, Germany (which is comparatively not much larger, at about $1.75 trillion GNP), and all are now enmeshed in the European Union. Japan is much larger (at around $3 trillion GNP) and might dominate Asia if it had the autonomy to do so, but with the United States still providing for its defense, it does not and in 2000 it continues its decadelong struggle just to find a way to revive its flagging economy.

Now the world market approaches its full global reach, unfolding in a vacuum of alternatives amid the celebration of a "globalization" that is uncomfortably close to Americanization. But this may also foretell a new chapter in world history, as we learn, perhaps really for the first time, whether the self regulating market can be the basis for global order—the recipe for a truly long peace, or for a truly unprecedented disaster. A breakdown of the world economy is the biggest systemic threat to world order in our time; it is the singular catastrophe that could revive all the apparently vanquished problems. The coming decades will thus provide a test of whether the continuously unfolding movement of American-inscribed world order has a proper claim to universality, or whether it remains merely the partial and limited worldview of its original author, the middle class, and therefore unavailing to the continuing plight of the majority of the world’s peoples.

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