# After the Crisis of Financialization:
# The Making of an Alternative Growth Regime

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## Introduction

A special edition of *Economy and Society*, published in 2000, highlighted the emergence of a financialization growth regime, characterised by a shift from productive to financial services driven growth. On the one hand, financialization underpinned the seemingly robust performance of the US economy in the 1990s. On the other hand, as contributors to the special edition pointed out, the new growth regime was beset by many internal contradictions and was inherently volatile. Indeed, events of the early 2000s have shown how fragile the US-led recovery was. Based on the nature of the crisis and recent developments in international relations we point to the emergence of a new growth regime, the imperial growth regime. Unlike preceding growth regimes, its primary focus is on recasting international relations as a means for restabilizing growth. Nonetheless, it remains beset by internal contradictions; it carries over many of the central characteristics of previous growth regimes and underscores the volatility of global capitalism since the early 1970s.

## Contemporary Growth Regimes: Financialization and Others

The crisis of the Fordist growth regime in the 1970s is well documented. The relative weighting assigned to different causal variables may be disputed (Jessop 2001; De Angelis 2000; Brenner 2002). However, it generally conceded to represent a combination of the breakdown of the existing international order, reflected in both the oil price shocks and heightened global competition, the exhausion of the previous technical regime, and the growing social and economic contradictions of existing production paradigms (Jessop 2001; c.f. Wood and Harcourt 2000; Brenner 2002).

Rather more contentious is the nature of the growth regime that replaced it. Neo-fordism, and the alternative conceptualization, post-fordism are rather diverse concepts, and have been appropriated by a number of different theoretical schools (c.f. Sayer 2001: 431). Both neo- and post-fordists did, however, assign a close correlation between the world of work, and social and economic development (Liepitz 2001). The disparate performance of different national models of economic organization and paradigms of production seemed to indicate that certain national institutional and cultural configurations seemed more effective than others. Nonetheless, by the early 1990s, it came clear that trends towards more flexible forms of work organization, and associated institutional reforms were incapable of providing the basis for stable growth (Grahl and Teague 2000).

The relatively robust performance of Japanese and German manufacturing in the first half of the 1980s seemed to indicate that established cultures of collaboration and effective training systems provided a solid foundation for more flexible forms of production (c.f. Sako 1998:94-97; Dohse et al 2001:338). Nonetheless, by the early 1990s, it was evident that both countries faced systemic crises, characterised by falling rates of profit, leading to renewed rounds of cost-cutting and manufacturing shakeouts (Brenner 2002:127). This, neo liberals critics were quick to suggest, was due to uncompetitive financial systems and over-interventionist governments (c.f. De Angelis 2000). However, the crises' origins lay in changes in the US economy, above all, in financial policy.

By this stage, the United States had already undergone major systemic change. Already in the 1970s, major US manufacturing corporations struggled with the problems of excessive centralization and heightened competition (Lazonick and O'Sullivan 2000: 15). The dominant logic of US capitalism for most of the twentieth century had been that of consolidation, and "retain and reinvest" strategies (ibid.: 14). This led to both a lack of dynamism and very real problems of communication and management of diverse subsidiaries (ibid.: 15). Moreover, supply chain policy increased an already existing orientation towards cheaper suppliers, rather than those who could be relied on for quality and innovation (ibid. 15).

Worldwide, oil-induced inflation created pressures on financial institutions in seeking to generate adequate returns. Within the USA, legal reforms - such as the 1974 Employee Retirement Income Security Act - allowed established financial institutions to invest increasing amounts of their money in high risk securities (Lazonick and O'Sullivan 2000: 17). By the early 1980s, this had sparked off a wave of corporate raiding, whereby hostile takeovers were funded by the issue of junk bonds, forcing liquidity on newly acquired firms that were often cash rich but undynamic (ibid.: 18). In turn, this led to a wave of "downsizing and distribution" leading to large scale job losses in firms already reeling from heightened global competition. It should be emphasised that only a small minority of corporations fell victim of corporate raiders; however, in order to fend off such attacks, many more firms embarked on pre-emptive downsizing and distribution (Brenner 2002).

***The Rise of the Financialization Growth Regime***

The relatively strong performance of the United States' economy in the 1990s when compared to its continental competitors did raise the prospect of a new emergent growth regime, based around equities (Williams 2000:9). Such a finance-centred economy would be characterised by the breakdown of the "Kaldorian world" where wage increases fuelled both productivity rises and consumer spending (Williams 2000: 9). In its place was opened up the financialization led world, characterized by a demand-led short term, where wage cuts could be offset by appreciations in personal asset holdings, enabling demand to persist (ibid.: 9).

By the 1980s, the deregulated financial environment, and the rise of institutional investors as shareholders, encouraged senior managers to more closely align their interests with external financial interests rather than productive stakeholders within the firm (Lazonick and O'Sullivan 2000: 27). This led to an ever increasing focus on maximising sharholder value (and, directly and indirectly, in increasing CEO pay), whilst real wages stagnated. To proponents this development allowed for a more efficient reallocation of resources between firms, as managers competed to maximise immediate share prices and, hence, their own personal remuneration (Froud 2000:87). Indeed, it can be argued that financialization ushered in a new era of competition - to gain buyers of a firm's shares, as adverse to buyers for its products (ibid.: 87). This was, of course, taken to absurd heights during the dot com boom, when firms which had never produced or sold a good or service were able to successfully market shares on the promise of some future benefit.

Meanwhile, in the case of more production orientated areas of the economy, corporate pay out ratios - that is the amount paid in corporate dividends as a percentage of profits increased, with buybacks assuming an increasing share of corporate profits (ibid.: 27). Again, focused on increasing cost-cutting, firms only invested in developing the skills of a small pool of already-skilled workers, the residue being reduced to a highly disposable commodity.   For similar reasons, supply chain relationships also altered, being geared towards ever more ruthless short term cost cutting, often through sourcing components in highly labour repressive economies. Again, in the case of manufacturing, many tertiary activities are outsourced. This means that many of the sources of competitiveness are in the service sector; this is particularly so in the case of business services (Boyer 2000:116).

The situation is depicted in the below table1 :

**Table 1. Characteristics of Different Growth Regimes**

| | **Late Fordism** | **Competition-led Neo-Fordism** | **Financializ-ation** |
|---|---|---|---|
| **Financial System** | | | Deregulated |
| Shareholder Relations | | | Fickle; Maximization |

| | | | |
|---|---|---|---|
| | | | of short term value |
| Monetary Regime | | Underwriting stability and/or promoting growth | Managing bubbles? |
| **Labour Market** | | | Deregulated |
| Security of tenure | Moderate to high | High | Low |
| Functional flexibility | Low to moderate | High | Partial; only in key segments |
| Skills development | Formal | Ongoing | Focused on small elite |
| **Supply Chain Relations** | Geared to cost. Short to medium term relationships | Geared to quality and innovation. Medium to long term relationships | Geared to extreme cost cutting, underpinned by ruthless regime shopping. |
| **Relationships with Stakeholders** | Neo-paternalist. Long term commitment of staff cultivated. | Long term institutional investors. High commitment to workforce. | Interests of shareholders in terms of short term maximization of value prioritized. |
| **Competitive Focus** | Product market-based. Cultivating long term relationships with customers. Emphasis of standard products. | Product market-based. Competing for buyers against increasing numbers of international competitors. Emphasis on differences between products. | Capital market based. Competiting for buyers of shares. |
| **Trust Relations** | Variable. | High. | Low. |

(c.f. Boyer 2000; Hirst and Zeitlin 2001; Froud 2000).

## Crisis of the Financialization Growth Regime

As Meiksins Wood (2002) notes, it is simply incorrect to argue that capitalism is characterised by neatly compartamentalized sub-epochs. Rather dominant forms of accummulation and associated institutional configurations are subject to ongoing adjustment and restructuring in the face of ongoing systemic crisis. By the early 2000s it became increasingly evident that the financialization-led growth regime was, quite simply, not working. More specifically, it was characterized by a range of closely interrelated structural contradictions.

Firstly, there emerged a growing "crisis of bubbles". From 1998 onwards, "with the invaluable assistance of the US Federal Reserve", bubble-like investment and consumption offset declining manufacturing profitability and international competitiveness (Brenner 2002: 269). The resultant boom paved the way for increased US imports and, hence, a new global upturn (ibid.: 269). On the other hand, the US bore the burden of an over-valued exchange rate, the global over-capacity in manufacturing persisted, and the US faced a downward spiral of a "bubble in reverse" (ibid.: 276); a trend towards serious recession, dragging the rest of the world with it. The relentless hyping of shares resulted in a stockmarket boom that only now is facing adjustment; however, in terms of price earnings ratios, shares remain chronically over-valued, making further downward adjustments inevitable.

Secondly, there was a crisis of productivity. As Williams (2000: 6) notes interventions by management to increase productivity in the 1990s were typically disappointing; any gains from labour were offset by highly competitive product markets. In turn, this led to relatively low rates of return on capital employed; increases in shareholder value in the 1990s mainly came from rising share prices, driven up by middle class savings pouring into the stock markets (ibid.: 6). By the late 1990s, 49 per cent of all US households owned stocks (Pfaff, 2002). Table 2 presents data compiled in the Federal Reserve Bulletin from the 1989, 1992, 1995, and 1998 *Survey of Consumer Finances.* The data presented in Table 2 shows that 48.8 percent of households were stockholders in 1998, an increase of over 17 percentage points since 1989. In addition, the ownership rates for all income groups and all age groups increased during the 1989 and 1998 period.

**Table 2. Percentage of Families Directly and Indirectly Holding Stocks *, by Selected Characteristics - 1989, 1992, 1995, and 1998**

| Characteristic | 1989 | 1992 | 1995 | 1998 |
|---|---|---|---|---|
| All Families | 31.6 | 36.7 | 40.4 | 48.8 |
| **Cash Income (1998 dollars)** | | | | |
| Less than 10,000 | ** | 6.8 | 5.4 | 7.7 |
| 10,000 - 24,999 | 12.7 | 17.8 | 22.2 | 24.7 |
| 25,000 - 49,999 | 31.5 | 40.2 | 45.4 | 52.7 |
| 50,000 - 99,999 | 51.5 | 62.5 | 65.4 | 74.3 |
| 100,000 or more | 81.8 | 78.3 | 81.6 | 91.0 |
| **Age of Household Head** | | | | |
| Less than 35 | 22.4 | 28.3 | 36.6 | 40.7 |
| 35 - 44 | 38.9 | 42.4 | 46.4 | 56.5 |
| 45 - 54 | 41.8 | 46.4 | 48.9 | 58.6 |
| 55 - 64 | 36.2 | 45.3 | 40.0 | 55.9 |
| 65 - 74 | 26.7 | 30.2 | 34.4 | 42.6 |
| 75 or more | 25.9 | 25.7 | 27.9 | 29.4 |

** Ten or fewer observations.
* Indirect Holdings are those in mutual funds, retirement accounts, and other managed assets.

Source: Kennickell, Arthur B., Martha Starr-McCluer, and Brian J. Surette, “Recent Changes in U.S. Family Finances: Results from the Survey of Consumer Finances,” *Federal Reserve Bulletin*, vol. 87 (January 2000): 1-29.

According to the *Financial Times*, the late 1990s and early 2000, the price/earnings ratio of the overall stock market was around double its long-run average. Shares were more over-valued than at any time since the peak of the recent bubble and 1929. Pfaff (2002) noted that:

> “Since "everyone" was doing the same thing…, why should they have looked upon what they were doing as reprehensible? Employee interests were systematically disregarded. The stock option system tied employee pensions to company investments, under company management, and pension funds were frequently exploited to management advantage, if not simply looted".

He added that: "Owners' capitalism failed in practice because the markets have so diffused corporate ownership that no responsible owner exists. Managers exploited that void to turn corporations into mechanisms for their personal enrichment. This is morally unacceptable, but it is also a corruption of capitalism itself, and of the society in which it functions”.

Foreign direct investment and portfolio investments also contributed to the surge in stock prices. Money did not only come form local saving, there was a flow of foreign investment from investors leaving the Asian financial crisis and Gulf states. From 1995 to 2000, investors brought $1.2 trillion more inward investment to the US that outward investment out of the US (Pearlstein, 2002). Inward investment was used directly into the stock and bond markets and for the direct purchase of American companies by foreign corporations.

Thirdly, there emerged a heightening crisis of trust. As Harcourt and Wood (2000) note, low trust may:

> "...hamper the implementation of functionally flexible methods of work organization; it is generally recognized that insecure employment contracts facilitate numerical, rather than functional flexibility. Moreover, low trust systems may undermine long-term growth based on innovation and the so-called knowledge economy". (Harcourt and Wood 2003).

Moreover, trust is conducive to good supplier performance (Sako 1998:98). Again, it contributes to good customer relations, and reduces the transaction costs of exchanges. In a survey of firms in a number of industrialised countries, Sako (1998: 95) foudn that the USA recorded particularly low levels of trust in a range of areas, ranging from contractual to goodwill. Conversely, US managers were more likely to fear that partners would be likely to exercise opportunistic behaviour (Sako 1998: 95). This crisis of trust reflected both ever-heightening pressures to short-termism driven by a financialization led growth regime. Ironically, it would weaken the producer driven sections of the economy, increasing the relative importance of financialization based-activity. This crisis of trust has also had implications in terms of interfirm relations. The widespread outsourcing of specialized services (Boyer 2000: 115) has proved increasingly problematic, given ongoing scandals revolving the accountancy profession and consultants more generally. Again, the fund management industry has started to break down in the face of excesses of competition and information assymetries (Lipietz 2000: 158), and the inevitable loss of confidence of users given the equally inevitable deflation of the stock market bubble. Pearlstein (2002) noted that:

> " Many of the key people involved in the economy appear to have gotten so caught up in the euphoria, and blinded by the financial rewards dangled in front of them, that they stopped doing their jobs... Foremost were the executives, who began to focus more on managing their stock prices than managing their businesses.. Corporate directors also grew so comfortable with the pay and status that the bull market had conferred on them that they became even more quiescent than they had been before".

A forth crisis represented the direct outcome of the high dollar policy. During the first half of the 1990s, the German and Japanese economies faced serious recessions. The rise of the dollar in 1995 fuelled a new recovery, but at the expense of manufacturing and the overall profit rate in the US. Increased foreign investment during the boom years of the 1990s led to foreign ownership of US assets amounting to some 67% of GDP by the end of 2000 (Brenner 2002: 282). Any attempt to liquidate these assets in the face of falling equity prices would place inevitable downward pressure on the dollar. In turn, this would force the Federal Reserve to increase interest rates to attract foreign funding to prop up the dollar and fund the massive current account deficit (Brenner 2002: 283). However, any interest rate increase would place heavy pressures on already over-borrowed consumers and preclude any recovery in growth (ibid.). Meanwhile, whilst a weaker dollar should, in theory help US manufacturing, any gains are likely to be offset by the poor performance of trading partners (ibid.: 273).

**Table 3. U.S. Trade in Goods - Balance of Payments (BOP) basis vs. Census Basis- Value in millions of dollars-1960 through 2001**

| | Balance | | | |
|---|---|---|---|---|
| Period | BOP Basis | % Change | Census Basis | % Change |
| 1960 | 4,892 | (X) | 4,608 | (X) |
| 1990 | -111,033 | -5.7 | -101,719 | -7.0 |
| 1991 | -76,937 | -30.7 | -66,723 | -34.4 |
| 1992 | -96,898 | 25.9 | -84,501 | 26.6 |
| 1993 | -132,451 | 36.7 | -115,568 | 36.8 |
| 1994 | -165,830 | 25.2 | -150,630 | 30.3 |
| 1995 | -174,170 | 5.0 | -158,801 | 5.4 |
| 1996 | -191,000 | 9.7 | -170,214 | 7.2 |
| 1997 | -198,120 | 3.7 | -180,522 | 6.1 |
| 1998 | -246,696 | 24.5 | -229,758 | 27.3 |
| 1999 | -346,023 | 40.3 | -328,821 | 43.1 |
| 2000 | -452,423 | 30.7 | -436,104 | 32.6 |
| 2001 | -427,423 | -5.6 | -411,899 | -5.6 |

US Census Bureau

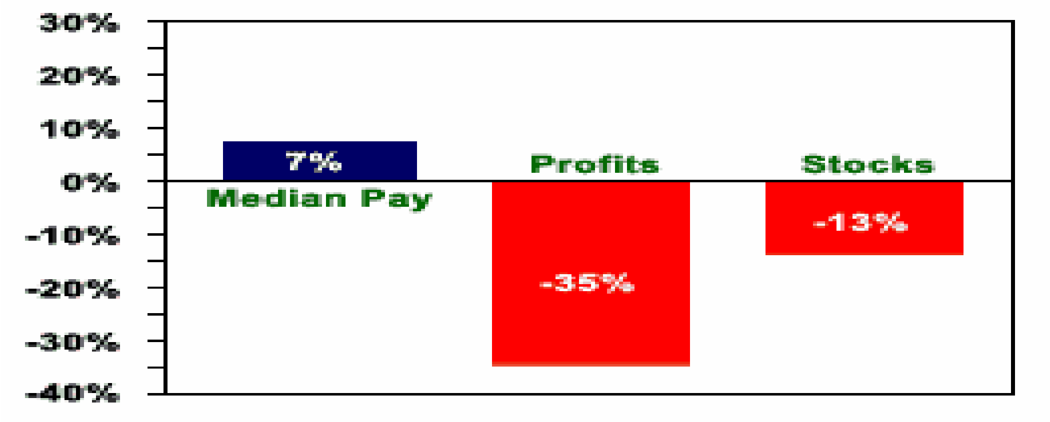
A fifth crisis was that in the rate of return. As Williams (2000:7) notes:

"...if rates of return cannot be raised...the size of the corporate sector will be reduced as low return activities exit for the less exacting personal sector".

Hit by increasing global overcapacity, and the high dollar policy, a major downturn in US manufacturing led to the collapse of the non-financial profit rate by the first half of 2001 (Brenner 2002: 262). The latter was now 23% below it s 1997 peak, below 1993 levels, erasing most of the profitability gains of the 1990s. This in turn led to a crisis of capital accumulation, with a collapse in private expenditure on nonresidential plant and equipment. This was exacerbated by accessing finance owing to falling asset values (c.f. Brenner 2002: 277).

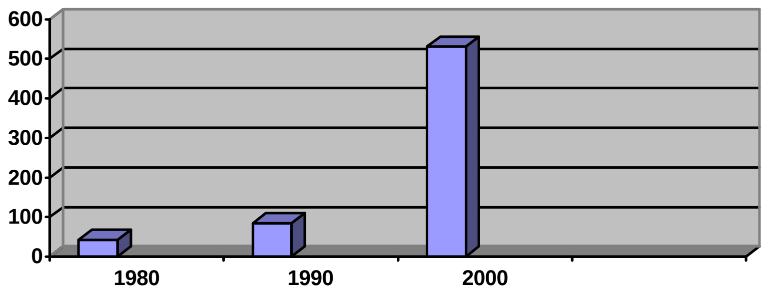
Sixthly, there was the crisis of borrowing. For the past two decades, the wage income gap in the US has dramatically widened. Bergsten (2001) found that less skilled workers in the US "have experienced close to Zero or even negative real-wage growth" and "have also seen sharp declines in their wages relative to more –skilled workers" (quoted in Nye Jr, 2002). The later is in sharp contrast to the high wages increase given to CEOs in the 1990s (see table 4 and 5). Socialised in the years when annual increases in income were taken for granted, increases in standards of living have, quite simply been funded by borrowing, in turn propping up demand. In essence this represented a perversion of the logic of Keynesianism; instead of redistributing money to promote demand, money is simply lent. By the early 2000s, this borrowing had to be sustained by successive interest rate cuts. In 2001, The Federal Reserve made 12 cuts and lowered interest rates from 6.5 percent to 1,3/4 percent. However, personal debt will, of course, eventually reach saturation point; repayments, no matter how modest, will result in further squeezes on income. Pressures against the heavily indebted middle classes increased through declines in share prices, and the growing problems experienced by many pension schemes (Kovaleski, 2002).

**Table 4. CEO Pay Grew While Profits, Stocks Declined**




Source: *The New York Times* (***Error! Bookmark not defined.***

**Table 5. The Rising Pay Gap: Disparity Between CEO and Worker Pay (Percentage by Which Average CEO Pay is Higher than Average Worker Pay)**




As Brenner (2002), the fragility of borrowing led growth lies in the fact that consumers may, quite simply, lose their nerve, and switch to saving, a situation that would be exacerbated by interest rates increases driven by external shocks. Unlike Japan, the US does not have the buffer of enormous savings and current account surpluses, to serve as a buffer against a banking crisis (Brenner 2002: 277).

Coterminous with the crisis of private borrowing was a resurgence in public borrowing. As Chomsky (1996) notes, a key component of Reagonomics was spending on defence, which, in creating conditions for renewed growth, also entails massive transfers of funds to private power without significant redistribution from taking place, a tendency heightened by tax cuts for the rich.  Under the Bush administration, there has been a return of public borrowing reflecting further tax cuts for those in the upper income brackets and excessive defence spending.

Exacerbating this are the effects of increasingly mobile capital.  This results in a growing proportion of the tax burden falling on less mobile factors, such as labour and fixed assets (Boyer 2000: 120).  This results in tax becoming more pro- than anti-cyclical as would have been the case under a Keynesian system (Boyer 2000: 120).  This heightens the abovementioned pressures; increased public borrowing, with diminishing prospects of tax relief for the poor, the latter feeding into the persistent crisis of demand.

A seventh crisis has been that of corporate governance. The latter represents a particular set of policy arrangements, ensuring that senior management will act responsibly in the shareholder interest (Williams 2000: 11).  However, the distortions created by the stock market bubble, and the prevalence of incentive driven executive pay led to a real divergence of interest - between short term but stable maximization of equity value, and ultra-short term and unstable.  The tendency of many managers to opt for the latter has resulted in numerous financial scandals such as the Enron, Arthur Anderson and Wold.com. While scandals are the inevitable consequence of any period of speculative excess, the scandals of the early 2000s, it seemed, were not isolated frauds but systemic problems. Accounting firms were in bed with the very firms they were supposed to regulate. The resultant crisis of confidence has placed further pressures on the stockmarket bubble, particularly weakening the position of firms that opted for the ultra-short term.

An eighth crisis has been that of political governance. As Perry Anderson (2000) notes, in the advanced societies, democracy has been "hollowed out at its core", with debate being "asphyxiated" by the interests of the political and economic status quo. Formal elections in the United States have been characterised by low levels of participation and the power of wealth special interest groupings. Moreover, as Chomsky (1996) notes, the set of policies that have driven financialization have proven highly profitable to small politically powerful minorities, even if has brought growing hardship to an increasing proportion of society. These factors would - even if otherwise feasible - preclude a neo-Keynesian, redistribution driven recovery.

**Relations with Competitition-Led and Petroleum Growth Regimes**

In contrast to the Anglo-American model, many other industrialized societies persisted with a production orientated (in terms of both goods and services) growth regime, encompassing many of the characteristics of what Boyer (2000: 116) refers to as a "competition led growth regime". However, the pressures of increased global competition and international deregulation led to moves towards labour market reform, stable monetary policies, and cost and price moderation, increasing exports, and the recovery of growth through both exports and domestic consumption (Boyer 2000:116). However, this failed to overcome structural limitations in an age of financial innovation, globalization, and changing patterns of world trade, with the omnipresent risk of over-capacity and deflation (c.f. Boyer 2000: 115). These led to pressures towards the Anglo-American paradigm. For example, Jurgens et al (2000: 75) suggest that Germany is moving slowly in the direction of shareholder value. Meanwhile, Japan remains firmly in the economic doldrums, with a overburdened financial system, and a manufacturing sector faced into relentless cost-cutting, and, hence, a shifting of activities abroad. Moreover, both Japan and Germany's fortunes remained firmly intertwined with that of the US; they ever more dependant on the US as an outlet for manufactured goods in an era of overcapacity, and the US on them for the recycling of profits to help plug the vast balance of payments deficit (Brenner 2002).

The US balance of payments deficit did not, of course, only reflect its trade relations with competition led growth regimes, nor emerging economies in the Far East and elsewhere, but also its heavy dependence on imported hydrocarbons. The latter underpinned a specific growth regime in Saudi Arabia, and other petroleum producing states in the Middle East, what Mellahi and Wood (2002) call a petroleum growth regime. Like all growth regimes, the petroleum one embodies both internal and external tensions (ibid.). Its defining characteristics are growth driven by a single primary commodity demanding relatively favourable terms of trade, the resultant foreign exchange funding large areas of semi- and unproductive activity, both in the state and private sectors as a means of stabilizing autocratic political structures (ibid.). Again, such regimes are characterized by highly segmented labour markets between privaleged local insiders, and insecure foreign labour, the latter dominated the unskilled categories of work (ibid.). As is the case with competition led growth regimes, the relationship between petroleum growth regimes is one predicated on recycling: the return of petrodollars to the US in the form of one or other type of investment.

The commonalities and differences between competition led, financialization and petroleum growth regimes are delineated in table 6:

**Table 6. Alternative Growth Regimes**

| Growth regime | Wage/ Labour Nexus | Form of Competi-tion | State/ Society Relation | Insert-ion into interna-tional regime | Coheren-ce and dynamic of growth regime | Typical Case | Source |
|---|---|---|---|---|---|---|---|
| Compet-ition led | External market flex./ wage competit-ion | Privatiz-ation/ deregula-tion | Market enhanci-ing state | Open to internat-ional trade and finance | Risk of over capacity | Most OECD (since 1985) | Boyer (2000: 115) |
| Finance led | Flexible labour markets | Mostly on fin. markets/ tendency to oligopo-ly | Under scrutiny of fin. markets/ search for credibi-lity | Trend to global finance | Risk of systemic fin. instabi-lity | US and UK (1990s) | Boyer (2000: 115) |
| Petrol-eum led | Highly segment-ed labour market/ use of migrant outside labour | Oligopo-listic | Autocra-tic state/ proacti-ve in building public infrastr-ucture/ emphasis on shoring up existing power and autho-rity networks | Recycli-ing petro-dollars to help plug US deficit | Risk of systemic politi-cal instabil-ity | Saudi Arabia, Kuwait, etc. | N/A |

(Mellahi and Wood 2002)

## The Emergence of an Imperial Growth Regime

The high dollar policy, and consumerism driven growth placed, as we have seen, placed heavy pressures on the US model. US manufacturing faced ever heightening competition both from revived German and Japanese industry and new foreign competitors throughout the late 1990s (Brenner 2002). At the same time, it is underpinned by the assumption of recycling; that petro-dollars and monies spent on manufactured imports will somehow be recycled (Mellahi and Wood 2002; Spiros 2***).

As Boyer (2001: 21) notes, the literature on regulation has tended to focus on national particularities and traditions; international relations have been somewhat neglected. Yet, the dominant logic of contemporary US economic policy has been profoundly directed towards recasting the latter. The disproportionate military strength of the United States, and the heavy dependence on it of both petroleum and competition led growth regimes has led to and stimulated the emergence of a number of interrelated policy initiatives by the former, coupled with associated economic developments. Quite simply, the dominant segments of capital in the United States, and associated and interrelated political elites have sought to recast relations between competing growth regimes in a radical manner. In effect, this represents an attempt to institute what we call an "imperial growth regime" through preying on - and cannibalising - coexisting regimes. This has been done through a series of closely related foreign policy interventions.

***The USA and Competition Led Growth Regimes: Towards Protectionism***

In 1988, the US exported $663 billion in goods and services while importing $912 billion in foreign products (Central Intelligence Agency’s World Factbook (1998:8).

These statistics have been interpreted by US foreign policy as US jobs can be created or lost by controlling foreign sales, i.e. protectionism. Public opinion surveys provide evidence to suggest that public opinion in the US opposes policies aimed at further liberalization of trade (see Nye Jr, 2002 and Scheve and Slaugther, 2001). For instance, Blank (2002) notes that global liberal trade  is one of biggest issues threatening the long-term survival of American farming and ranching. He argues that without drastic action in the American foreign trade policy, the agricultural sector will continue to shrink because (1) the sector is losing its comparative advantage, and (2) it may become a deadweight loss to the economy. Consequently, the US government erected several trade barriers to protect the US agriculture industry. For instance in July 2002, the US government approved a farm bill that gives US farmers $83 billion of subsidies over a period of 10 years mainly aiding the largest farmers and big agricultural companies (Epstein, 2002). These subsidies make it much harder for farmers in developing countries to compete with the U.S.

Similarly, the US government imposed a maximum of 30 percent on steel imported to the US. Although this is in accordance with the regulations laid out by the WTO the tariffs are based on well-established trade rules allowing temporary protection of industries and communities hard hit by a sudden spike in imports, taken together, the steel tariffs and the farm bill send a strong signal to other countries that the U.S. is committed to free trade only when it's expedient (Business Week, 2002). As a result, liberalism and free trade are suddenly reduced to hollow buzzwords. These tariffs have been fiercely criticized by the US biggest trading partner – the European Union. In 2001, the European Union was exporting around 5.5 million tons of steel to the US, about 80 percent of which will be affected by the US government new protectionism policy.

While the US is in a position to erect protectionist trade barriers because of the unique place it occupies in the world economy. The latter is possible bacause the dollar is a global medium of international exchange and is definitive money in the settlement of international debts. Therefore, the US government “can run current account deficits and go into dollar denominated debt to foreigners indefinitely without provoking a currency attack requiring immediate repayment” (McKinnon, 2002: 381). McKinnon, argues however that “ this soft borrowing constraint and continued large current-account deficits erode America's industrial base provoking an upsurge in US protectionism - while draining scarce capital from poorer countries around the world” (381).

In contrast to the protectionist policy, the US government lobbies actively forceful for the promotion of free trade for the key industries that the US has a competitive advantage such as pharmeceuticals, Genetically Modified (GM) seeds (cf Walsh, 2000; Vidal, 2002).

## Defining the Imperial Growth Regime

### *Developments in Foreign Relations*

Current American foreign policy has tended to revert to the "realism" of the high cold war.  Nye Jr (2002) notes that “many observers at home and abroad believe that the United States will pursues a narrow and arrogant conception of its national interest”.

For example, Condoleezza Rice, the current national security adviser, argues that the US foreign policy should "proceed from the firm ground of the national interest and not from the interest of an illusory international community" (ibid, 81). Nye Jr (2002) noted that "When the majority of the American public is indifferent and complacent about international affairs, the battlefields of foreign policy are left to those with special interests", those of large US corporations. He cited the case of the "American refusal to pay UN dues in the 1990s" when that body pr and argued that it is a result of "the intensity of preferences of a minority". Similarly, Henry Kissinger concedes: "What is presented by foreign critics as America's quest for domination is very frequently a response to domestic pressure groups" (quoted in Nye Jr, 2002). We believe that given the current situation of the US economy and the dynamics of the US political institutions, the US foreign policy, under the pressure of interest groups such as agricultural lobbies, Steel etc, will adopt a new tactics of foreign policy and codes of conduct to safeguard US economic interests. The latter tactics could take the form of what Henry Kissinger admits is sometimes "unilateral and bullying conduct" and where "legislation translate into a take-it-or leave-it prescription, the operational equivalent of an ultimatum" (quoted in Nye Jr, 2002).

Table 7 outlines the key characteristics of the imperial growth regime:

**Table 7. Imperial Growth Regime**

| Growth regime | Wage/ Labour Nexus | Form of Competi-tion | State/ Society Relation | Insert-ion into interna-tional regime | Coheren-ce and dynamic of growth regime | Typical Case |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| Imperial | Deregul-ated. | Active protecti-onism of insider firms | "Hollow democra-cy." Active and ongoing interven-ionism in internat-ional area | Trend to promotin-g national finance | Risk of systemic instabil-ity. Risk of imperial over-extension | USA (2000s) |

***Developments in Labour Markets***

A key dimension of the imperial growth regime is its parasitic nature.  Growth is predicated on forceably recasting international terms of trade, via military means if need be; the successful institutionalization of a new period of growth would come at fatal cost to existing petroleum growth regimes, and undermine the very basis of productive led growth in competitive growth regimes.  The imperial growth regime seeks to avoid domestic reform: "The US way of life is non-negotiable".  This means that little to no emphasis has been placed on redressing domestic contradictions; renewed flows of wealth from abroad will, it is hoped, permit domestic elites to conduct "business as normal".  Thus, there is little need to address internal labour market issues, including deficits in training and increased labour market segmentation, with a growing proportion of individuals in "outsider" jobs that progressively strip them of the means to consume.  Again, repeated scandals and deficits of trust notwithstanding, meaningful reform of the financial services industry has been deferred.  Finally, it is hoped more favourable terms of trade will ease the borrowings crisis, as consumptionism becomes relatively cheaper, and with US financial institutions less dependent on the voluntary goodwill of overseas investors.

**Conclusion**

The financialization led growth regime was characterized by the reallocation of resources away from the poor to elite interests (Chomsky 1996); a central characteristic of the imperial growth regime is the same on a global basis. Again, the imperial growth regime bases economic recovery not so much on making production more efficient, but on resource reallocation and on other forms of active interventionism. As such, it is a heavily statist form of economic management, the neo-liberal rhetoric of the Bush administration notwithstanding.

We would stress that the story of contemporary capitalism is about uneven growth and crisis, not about neatly segmented epochs or disjunctures. The imperial growth regime represents the response to - yet continues to embody - many of the contradictions of the financialization one. At the same time, the imperial growth regime is very much more dependent on political and military power, in other words, on institutional support, in scale and ambitiousness eclipsing the domestic reformism of Keynesianism. As such it represents the birth a new era in statism unprecedented in the West since the fascist experiments in autarchy of the 1930s.

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