

# **Reclaiming Pax Americana: Reconfiguring the Role of the U.S. Military and State after the Postwar Social Structure of Accumulation**

By Anita Dancs  
Department of Economics  
Western New England College  
Springfield, MA 01119  
adancs@wnec.edu

Paper prepared for the 11<sup>th</sup> Conference of the Association for Heterodox Economics, Kingston University, London, 9-12 July, 2009

Draft only – please do not cite or quote with the permission of the author

## **ABSTRACT**

According to Social Structure of Accumulation theorists, long periods of growth and decline in the economy are governed by a set of institutions making up a Social Structure of Accumulation (SSA). The postwar long swing, beginning in 1939, had an SSA which broke down in the late 1960s and early 1970s. A new SSA would be based on the reconfiguration and consolidation of institutions from the postwar SSA leading to a new era of robust capital accumulation and growth until contradictions within and between institutions lead to decay and crisis once more. If the formation of a new SSA implies robust capital accumulation and growth occurring over a long period of time, then there is little or no evidence that the postwar institutions have been reconfigured and have consolidated into a new cohesive and mutually reinforcing set of institutions. One major obstacle to a new SSA may be the reconfiguration of the state. The U.S. military has been a particularly important institution defining the role of the state nationally and internationally. While collective action has re-shaped the military and its place within the state since the breakdown of the postwar SSA, the final reconfiguration has only exacerbated the contradictions apparent in the state and the economy.

## **INTRODUCTION**

According to Social Structure of Accumulation theorists, long periods of growth and decline in the economy are governed by a set of institutions making up a Social Structure of Accumulation (SSA). The postwar long swing, beginning in 1939, had an SSA which promoted capital accumulation and expansion in the quarter century following World War II, and broke down in the late 1960s and early 1970s. A new period of expansion requires the formation of a new SSA, which

would be created out of the reconfiguration and consolidation of the previous sets of institutions from the postwar SSA. A new era of robust capital accumulation and growth would proceed until contradictions within and between institutions would lead to decay and crisis once more. If the formation of a new SSA implies robust capital accumulation and growth occurring over a long period of time, then there is little or no evidence that the postwar institutions have been reconfigured and have consolidated into a new set of institutions. One major obstacle to a new SSA may be the reconfiguration of the state. The U.S. military has been a particularly important institution defining the role of the state nationally and internationally. Collective action has re-shaped the military and its place within the state after the breakdown of the postwar SSA, but reconfiguration has only exacerbated the contradictions existing in the postwar institutions which eventually undermined capital accumulation.

This paper provides an overview of the Social Structure of Accumulation approach, with particular emphasis on the role of the state and the military during the postwar era. Then, story of the collective action by the neoconservative movement, and its restructuring of the state and military is elaborated. The neoconservative movement attempted to reassert Pax Americana, which had an impact on the role of the military overseas as well as the relationship between the state and citizen. The failure of the project to re-establish Pax Americana is discussed, even though there may be lasting implications on the key relationships in the economy.

## **AN OVERVIEW OF THE POSTWAR SOCIAL STRUCTURE OF ACCUMULATION**

Long swings in the economy, first observed by Kondratieff (1935) and Schumpeter (1939) in the 1930s, are periods of expansion and contraction that last from 30 to 50 years. Both explained long swings by economic factors. Kondratieff theorized that they were related to replacement cycles of capital whereas

Schumpeter believed that the bunching of investment around major clusters of innovation lead to a long period of growth which eventually slowed.

The Social Structures of Accumulation approach explains these long swings in capitalist economies as governed by a particular set of economic, political and social institutions. These institutions function to mitigate the inherent inter- and intra-class conflict which otherwise would interfere with capital accumulation. The set of institutions fostering capital accumulation includes both domestic institutions particular to one country, and a set of international institutions governing the international economy. Eventually, contradictions within and between these institutions and the dynamics of the capitalist economy itself lead to a decay in the functioning of the institutions and consequently, economic stagnation and crisis.

Each set of institutions is distinct to its era, and each country has its own set of domestic institutions. The institutions governing the U.S. economy in the mid- to late-19<sup>th</sup> Century were different than those which governed the postwar economy. The institutions in the American postwar economy were different than those that governed, for example, the Japanese economy, though both economies were conditioned by a set of institutions governing the international economy.

Bowles et al. (1990) identify four sets of institutions making up the postwar Social Structure of Accumulation (SSA) in the United States. A capital-labor accord, a capital-citizen accord, muted capitalist competition, and *Pax Americana* fostered the long postwar expansion. The capital-labor accord refers to implicit and explicit agreements made between capital and labor which contained conflict between the two classes. Capital recognized the legitimacy of unions, and the establishment of National Labor Relations Board enforced the right to organize. Because of this compromise labor unions were less disruptive at the workplace and did not push for more radical reforms to capitalism, or for that matter, did not advocate revolution. At the same time, increases in productivity translated into increased wages leading to a placated labor movement whose members enjoyed rapidly rising living standards. Not all workers were included in the capital-labor accord, making it a limited capital-labor accord. Workers in the secondary sector,

which was primarily made up of women and people of color, were excluded. While only primary sector workers were included in this accord, it regulated the relationship between capital and labor, leading to relatively peaceful relations which supported increases in productivity, capital accumulation, and economic growth.

The capital-citizen accord refers to the expanded role of the state during the postwar era. Programs created during the Great Depression and expanded after WWII created a safety net for people who have fallen on hard times and automatic stabilizers to minimize the multiplier effect during movements of the business cycle. Social Security was created and senior citizens also gained greater health care benefits through Medicare in the 1960s. The U.S. welfare state was not as comprehensive as that of Western European counterparts, and new programs were primarily part of a safety net rather than social insurance widely available to the population. Nevertheless, the role of the state substantially changed from earlier eras. The state took on a new level of responsibility for its citizenry. Keynesian demand management also became the mainstream. Policy-makers used state used fiscal and monetary policy to intervene in the economy and manage recessions and bouts of inflation, reducing instability and making business cycles much less severe than prior to the war. Major infrastructural programs such as the interstate system lowered the cost of the movement of goods and people around the country. Since government spending expanded including significant outlays on infrastructure and high levels of military spending, the government became an important component of effective demand, providing a market for goods produced.

A third set of institutions affected the relationship amongst capital, the containment of intercapitalist rivalry. While the postwar economies of Western Europe and Japan required rebuilding, U.S. companies were not only unscathed during the war, but industrial capacity substantially expanded. Cooperation with government strengthened large U.S. corporations during the war. Oligopolies at home, with little challenge internationally fueled high rates of profits for major U.S. corporations.

The fourth set of institutions was *Pax Americana*, which regulated the international economy. The Bretton Woods agreement, negotiated in 1944, set up a system of fixed exchange rates, established the dollar as the key reserve currency and created two new international institutions, the International Monetary Fund and the World Bank. U.S. economic ideals and ideology largely conditioned these institutions dictating what was to be done in the rest of the world ensuring access to markets around the world. The economic hegemony of the U.S. was enforced by military dominance. The U.S. emerged from the war with a strong military and it used its military throughout the postwar boom to protect U.S. capitalist interests. Bowles et al. (1990) give the examples of two covert military operations. Both the overthrow of the Iranian Prime Minister in 1953 and the democratically-elected president of Guatemala in 1954 were demonstrations of U.S. might to reverse the nationalizations affecting particular U.S. corporations.

U.S. corporations benefited tremendously from U.S. economic and military hegemony. A strong dollar guaranteed cheap raw materials, international institutions opened up markets, and the use of military might protected foreign investment. The terms of trade improved for U.S. capital by 24 percent between 1951 and 1966. Cheap raw materials – including energy – promoted the growth relating to suburban construction and the auto industry (Bowles et al 1990: 52).

The above four sets of institutions led to robust capital accumulation after World War II. A number of contradictions eventually led to the decay of these institutions in the late 1960s and early 1970s, resulting in stagnation and crisis. For example, the Marshall Plan rebuilt the economies of Europe and Japan, which created markets for U.S. goods. Eventually, Japan and Europe became fierce competitors for U.S. capital not only abroad, but at home, ending the era of muted capitalist rivalry. What was once a market for U.S. goods and services became other large corporations fighting for shares of not only the world market, but the U.S. market. Economic growth led to environmental degradation. Environmental as well as consumer and work safety movements blossomed in the 1960s and 1970s leading to increased regulation raising the cost of doing business and reducing

profits. The U.S. military enforced economic hegemony and access to markets. But the high levels of military spending drained resources from the U.S. economy. Bowles et al. (1990: 64-65) show the negative correlation between military spending and the growth of export shares.

Unlike Bowles et al. (1990: 64) who argue that the U.S. increasingly could “no longer throw its weight around so effectively,” I believe that the pattern of U.S. empire has always involved some successes and some setbacks. Small- scale covert and overt military operations exercised American will. Aside from Guatemala and Iran, the U.S. continued to exert undue influence in Central America, such as Nicaragua and the Contras in the 1980s, and the invasion of Panama in 1989. Large-scale military operations such as Vietnam and even Korea were more complicated. Even so, the U.S. demonstrated that it would throw its weight around waging numerous proxy wars during the Cold War. Even the end of the Cold War itself indicated the weightiness of American power. Much credit was given domestically and internationally for the arms race which undermined the Soviet Union, even as there were contradictions within the Soviet state and economy undermining it internally (cf. Kotz with Weir 1997). The dissolution of the Soviet Union and the Warsaw Pact and state socialism in Eastern Europe opened up those markets for American and Western European goods and services as well as created profitable outlets for investment.

Nevertheless, Pax Americana required the United States to maintain a military which drained resources from the economy. The U.S. military, regardless of how much more powerful it was could not stop challenges to U.S. capital arising in Third World liberation movements, and could not stop the OPEC cartel from interfering with access to cheap oil.

After the postwar SSA decay and crisis, a new set of institutions might have developed out of the old institutions and consolidated into a new SSA promoting a long expansion. Lippit (2006: 35-36) points to the strong rise in investment from 1992 to 2005 as evidence that a new SSA has formed. He argues the SSA, which formed during the 1980s and 1990s, was in place by 1995. Unlike the limited

capital-labor accord of the postwar SSA, Lippit (1990: 30) argues that capital was strengthened as the threat of outsourcing and off-shoring disciplined labor to accepting the stagnation of real wages. The capital-citizen relationship changed with deregulation and the rolling back of the state. The Federal Reserve prioritized low inflation over low unemployment, which favored investment but to the detriment of workers. International agreements facilitated trade. Capital markets favored small businesses changing inter-capitalist rivalry (Lippit 2006: 29). Corporations were also restructured by changes in corporate governance and downsizing, making U.S. firms more efficient and competitive in the global economy.

Unlike Lippit, Kotz (2001: 95), after reviewing growth rates in real GDP and growth rates in labor productivity, states that “...there is no evidence in the economic data for the major capitalist countries that a new SSA, and with it a new phase of capitalist development, has yet emerged.” Growth rates in labor productivity in the 1990s were half of what they were in the Golden Age of the postwar era until 1966. Likewise, average annual growth rates of real GDP after the early 1970s were lower than in the 1950s and 1960s as shown in Table 1. Higher annual average growth rates were experienced in the 1990s than during the crisis period of the mid-1970s through the 1980s.

**Table 1: Real GDP growth rates for selected periods.**

Time Period	Average Annual Growth
1950-1966	4.4%
1967-1973	3.6%
1974-1990	3.0%
1991-2000	3.3%
2001-2008	2.2%

Source: Calculations based on chained Gross Domestic Product in billions of chained 2000 dollars from the U.S. Bureau of Economic Analysis.

The recession of 2001 and the “jobless recovery” that followed throw further doubt on the existence of a new SSA. The recovery was historically unprecedented: Losses in jobs continued well into the recovery. Employment levels, which were at a

pre-recession peak in February, 2001 only recovered to the same level by February, 2005.<sup>1</sup> Unlike typical recoveries, wages and salaries stagnated rather than increased. Consumer debt, already at very historically high levels, increased. Even though profits reached record highs, there was little investment in new nonresidential buildings and equipment as shown in Table 2. The recovery after the 2001 may have been a temporary delay in the current economic crisis. The recovery was fueled by low interest rates and easy credit which further expanded the housing bubble, increasing the wealth effect and spurring consumption financed by borrowing. The recession begun in December 2007 in the U.S. and around the world is very likely the worst economic crisis since the Great Depression of the 1930s. If a new set of institutions regulating capital accumulation was ever in place, the institutions did not consolidate into an SSA. Lippert provides an excellent description of key institutions affecting capital accumulation, but they are not an SSA as I understand the theoretical construct. Instead, it appears that there are few places for profitable investment in the U.S. economy, at least such that will propel U.S. capitalism. Alternatively, we may think the stage of capitalism following the postwar boom and crisis is one punctuated by frequent crisis.

**Table 2: Average annual growth in nonresidential private fixed investment for selected times periods.**

<b>Time Period</b>	<b>Nonresidential Private Fixed Investment - Average Annual Growth Rate</b>
1950-1966	5.6%
1967-1973	4.9%
1974-1990	4.0%
1991-2001	6.6%
2002-2008	2.7%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, National Economic Accounts.

Kotz (2001: 95) states that the “reconfiguration of the state has been particularly important in the construction of each SSA.” The state directly affects

---

<sup>1</sup> Total nonfarm employment only reaches the level of February 2001 by February 2005, according to Bureau of Labor Statistics Current Employment Statistics survey.

capital accumulation, but also affects other institutions making up a particular SSA. Each successive SSA has had an expanded role for the state. Kotz (2001: 97) argues that, “[W]orld capitalism seems to be suffering from an inability to reconfigure the state as part of a new SSA.” Class conflict inherent in capitalism has been moderated, temporarily. The existing contradiction from this particular mitigation of class conflict arises from stagnating wages. Workers cannot demand higher wages or benefits because they are threatened with off-shoring and outsourcing. Since wages are not increasing, the market for goods and services cannot expand rapidly enough for capital accumulation to proceed without major crisis. Off-shoring and outsourcing to other countries such as Mexico and China may create markets, but those workers’ wages are barely subsistence level and thus have not created enough of a market. Funding consumption through consumer debt has its limitations: It can only function for a number of years until a significant number of borrowers become unable to sustain or acquire higher levels of debt.

The consolidation of a new SSA may require the reconfiguration of the state. As Kotz (2001: 97) writes, the lack of a reconfigured state may be “the main obstacle to the creation of a new SSA and with it a new phase of capitalist development entailing rapid long-term capital accumulation.” He points out that each successive SSA had an expanded role for the state. The rolling back of the state in the 1980s may be part of the problem of institutions consolidating into a new SSA.

The state was reconfigured in recent years beyond the neoliberalism frequently discussed in the literature. I focus specifically on the reconfiguration of the role of the military and U.S. military hegemony both at home and abroad. This reconfiguration brought about by the collective action of the neoconservative movement actually exacerbated the contradictions in the postwar crisis. Even if neoconservatives believed that restoring Pax Americana would open sources of profitable investment in the Middle East, secure access to cheap oil, and would ensure primacy of U.S. interests, what actually happened further drained the economy, set the stage for increased hostility to U.S. capital, and may have created

the conditions for citizen collective action in complete opposition to capital's interests.

## **THE CHANGING ROLE OF THE U.S. MILITARY**

The global military footprint did not change considerably from the end of the Korean War in 1953 until the early 1990s. Forces were stationed in Europe from Iceland to northern Turkey to contain Soviet expansion during the Cold War. In the Pacific, significant numbers of U.S. forces remained in Japan and South Korea after World War II and the Korean War exerting a strong American presence in the region. After the dissolution of the Soviet Union and the end of the Warsaw Pact, the justification for maintaining such an enormous overseas commitment was increasingly difficult to make.

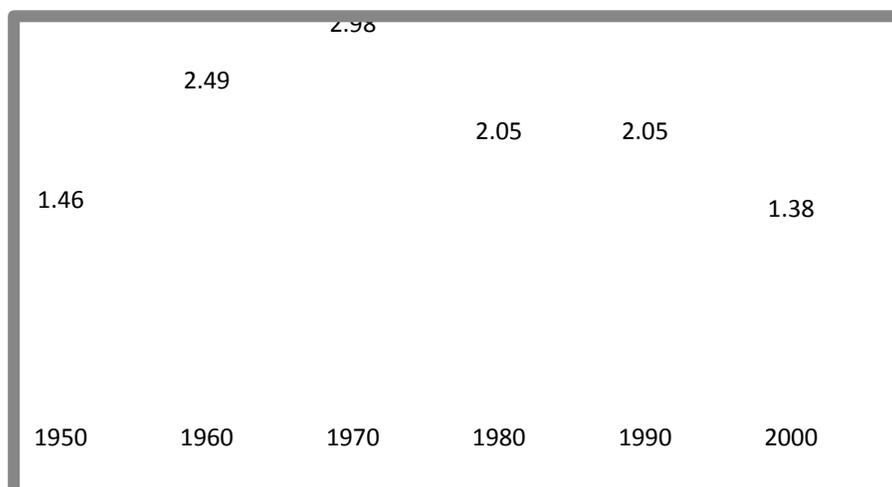
The roll back of the state under Reagan did not include the military. Quite the opposite: military spending rose by 54 percent between 1979 and 1989 reaching \$554 billion in today's dollars.<sup>2</sup> Military outlays did not reach that level again until 2004 when the U.S. was engaged in the wars in Afghanistan and Iraq. The Reagan Revolution continued under the Clinton administration (Meeropol 1998). But there was one meaningful difference: The military was not protected from the chopping block. Large budget deficits during the 1980s created a new consensus in Washington to reduce spending. Along with reductions in spending on the welfare state, the military was reduced in scale and spending was cut. Military outlays by the end of the decade were nearly 30 percent lower than in the 1989. The number of military personnel decreased by nearly one-third between 1990 and 2000, from a little more than two million to less than 1.4 million as shown in Figure 1. Hostility toward U.S. bases and military personnel also forced the Department of Defense to seek new strategies for maintaining a presence while sidestepping world and host

---

<sup>2</sup> This compares outlays for the federal budget category of "national security" which includes the Department of Defense, nuclear weapons programs which are in the Department of Energy budget, and a small number of military-related programs. It does not include military assistance or space exploration. See Office of Management and Budget, *Budget of the U.S. Government, FY2009, Historical Tables*.

country opinion. In the early 1990s, about 60 percent of U.S. bases were closed or turned over to host countries and more than 300,000 troops were returned to the U.S. (Department of Defense 2004). By 1999, there were only about half of the troops stationed abroad as there were in 1980. The empire was far from dismantled, but was definitely changing shape in 1990s. Even military assistance, a form of soft power, was lower in the 1990s than in previous decades.

**Figure 1: Total military personnel (in millions) for selected years.**



Source: Department of Defense, Statistical Information Analysis Division, Military Personnel Historical Reports.

Change in the 1990s might have signaled a reconfiguration of the state, especially the military. The cuts in spending during the 1990s reduced deficits, even bringing the total federal budget into surplus by 1998, and even the deficit for on-budget programs (i.e. not including Social Security and the U.S. Post Office) had a balanced budget. The military would drain fewer resources from the economy and perhaps collective internationalism could replace U.S. hegemony, especially as there was no significant nation-state threat. If western capitalism conquered socialism, then the military would be less important in protecting U.S. capital as countries sought U.S. and other foreign investment. However, military contractors and the oil industry were powerful factions of U.S. capital. The need for cheap oil would

continue to condition the role of the state. The U.S. reached peak oil in the 1970s, and foreign sources of oil were increasingly critical, both for the sake of consumption and as an outlet of investment for oil corporations. The military was a faction of capital that was particularly powerful within the state. Top military officials and private military contractors walked through a revolving door. One day, a person is senior executive for General Dynamics, the next day he is the Secretary of the Navy. One day, a person is senior executive of Northrop Grumman, the next day he is Secretary of the Army. The private military industry had institutional power, and relied heavily on defense contracts for profits. It is no surprise that so many of the people connected with the military and defense contractors propagated an ideology that might makes right and that somehow the U.S. is blessed by God in some unique way.

The reconfiguration of the state involving a scaling back of the military may have resolved the contradictions which undermined the postwar SSA. But a movement rejecting this reconfiguration evolved, and so it never became consolidated. Paul Wolfowitz, a leading neoconservative, angered that the U.S. military did not march into Baghdad and take over Iraq in 1991 during the first Persian Gulf War, worked with fellow neoconservatives to restore *Pax Americana*.

Wolfowitz served as Undersecretary of Defense for Policy during the George H.W. Bush administration. After the Persian Gulf War ended, Wolfowitz drafted a new Defense Planning Guidance, a typical policy document released periodically by the Secretary of Defense, who was at this time Dick Cheney. The Wolfowitz draft of the Defense Planning Guidance was a significant departure, however, warning off any other country, ally or foe, from attempting to rival the United States' unique superpower status. The document more clearly rejected collective internationalism, but also indicated a future policy of pre-emptive action (Tyler 1992). Leaked to the New York Times by an official who thought that such change in post-Cold War military policy should be subject to public debate, officials scuttled the draft document after unfavorable reactions.

Undeterred, neoconservatives including William Kristol, Robert Kagan, I. Lewis Libby, John Bolton and Paul Wolfowitz and many others continued to push for change after 1992. By 1997, they collected their thoughts into a mouthpiece called the Project for a New American Century. Many of the neoconservatives affiliated with the Project served under the Reagan and G.H.W. Bush administrations, and/or were to serve under the G.W. Bush administration. The Project's Statement of Principles (1997), signed by Dick Cheney, Donald Rumsfeld, Jeb Bush, Paul Wolfowitz and others states that:

We aim to make the case and rally support for American global leadership...As the 20th century draws to a close, the United States stands as the world's preeminent power. Having led the West to victory in the Cold War, America faces an opportunity and a challenge: Does the United States have the vision to build upon the achievements of past decades? Does the United States have the resolve to shape a new century favorable to American principles and interests?

In particular, the push to overthrow Saddam Hussein continued to be a central component of the agenda for people like Wolfowitz. In 1998, he testified at House Committee on International Relations to this effect. In a possibly fictional story, he claims that almost every Iraqi wanted the U.S. to overthrow Saddam:

It was a story about a group of U.N. inspectors, four in a car, traveling inside Iraq—not inspectors; I believe they were AID officials. They were stopped in an Iraqi roadblock, and one of them was an American. When the Iraqi soldier, with his AK-47 saw the American passport, he told the American to get out of the car, pointed with his gun to the back, moved the American to the back of the car. By this time, the poor American thought he was about to be shot. Instead, the Iraqi soldier looked over both shoulders, looked behind his back, and when he was sure no one was looking, he gave a thumbs up and he said, "George Bush No. 1." That's how the Iraqi people, 98 percent of them, felt about the United States after that war. They thought we were going to finish the job that they desperately wanted to see done...President Clinton will be a hero if he's the President that can accomplish that aim.

(Wolfowitz 1998: 16-18)

He also argued in Congress that it would not be that hard to overthrow Saddam:

However—and I think this is very important—the estimates that it would take a major invasion with U.S. ground forces seriously overestimates Saddam Hussein. We did the same thing for much too long in Bosnia, where we painted a brutal mob of aggressors as mighty giants, when in fact they turned out to be military pygmies...There was some excuse for overestimating the capability of the fourth largest army in the world, as we called it—it was,

on paper anyway—prior to the Gulf War, when all we had to go on was their performance against Iran in the long, brutal war in the 1980's. There is no reason to be doing so today, when their weakness was exposed in 1991 and when the Iraqi army of today is even further demoralized and weaker than the one that we faced then...I don't believe that it's as hard as it is made to sound. Maybe it's not as simple as it sometimes sounds, but it's certainly not as hard as Sandy Berger makes it sound when he talks about a major land invasion of Iraq.

(Wolfowitz 1998: 16-18)

If Iraq posed so little a threat that and that “their weakness was exposed in 1991,” it throws into question whether Iraq was even a serious threat to the United States or its allies, even after ten years – ten years where sanctions further weakened the country.

In 2000, the Project for the New American Century published a document entitled *Rebuilding America's Defenses*, which explicitly stated that the Project was an attempt to build upon the arguments presented in the Wolfowitz draft of the Defense Planning Guidance in 1992:

In broad terms, we saw the project as building upon the defense strategy outlined by the Cheney Defense Department in the waning days of the Bush Administration. The Defense Policy Guidance (DPG) drafted in the early months of 1992 provided a blueprint for maintaining U.S. preeminence, precluding the rise of a great power rival, and shaping the international security order in line with American principles and interests.

(Donnelly 2000, p. ii).

Expanding upon the Project's Statement of Principles, *Rebuilding America's Defenses* claims the single strategic goal of the unipolar world is to preserve *Pax Americana*. The report argues that military spending, in order to deter the rise of a new power and to extend U.S. interests across the world must increase from 3.0 percent of gross domestic product to 3.8 percent.

With the results of the 2000 Presidential elections, the neoconservative movement was able to put policies in place. Before his political career, G.W. Bush worked in his family's oil business and began his own oil exploration companies, albeit unsuccessfully. Dick Cheney served as Chairman of the Board and Executive Director of Halliburton, a defense contractor and energy company. An examination

of everyone from the President to the Secretaries of the branches of the Defense Department indicated clearly the representation of capital in the government, specifically of the energy and defense contractor sectors.

The terrorist attacks of September 11, 2001 enabled the neoconservatives to put in motion their plans to re-claim *Pax Americana*. By the end of the year, the U.S. invaded Afghanistan. In 2002, the administration released a new National Security Strategy. The National Security Strategy (NSS) is a document that is periodically released by every administration outlining its perception of the major security threats facing the country and how it plans to address them. Usually, the release of the NSS is almost a non-event since security strategy does not radically change between or during administrations. However, the NSS of 2002 was a radical document announcing the administration's intention of using not only preemptive military operations to address perceived threats, but taking action unilaterally. This was the clearest rejection of collective internationalism to date. It essentially launched the so-called "long war."

The NSS mentioned terrorism twenty-nine times and terror or terrorists sixty-two times, clearly identifying terrorism as a major threat. It may have appeared that this document represented new thinking after September 11. However, the heart of the document resembled the earlier documents discussed above, the Wolfowitz draft of the Defense Planning Guidance of 1992 and the Project for the New American Century report *Rebuilding America's Defenses* of 2000. The latter document only identifies terrorists in passing along with organized crime and other "non-state actors," and as another potential actor which will race for the new international commons of space.

The NSS also gives a clear indication of the administration's intent to invade Iraq. It stated that there was "irrefutable proof that Iraq's designs were not limited to the chemical weapons it had used against Iran and its own people, but also extended to the acquisition of nuclear weapons and biological agents." (National Security Strategy 2002: 14). In spite of the lack of proof of weapons of mass

destruction in Iraq, this document forewarns the invasion of that country. In March 2003, six months after the document's release, U.S. military forces invaded Iraq.

Weapons of mass destruction were a pretext for the invasion of Iraq. Instead, the invasion of Iraq had to do with a larger agenda which included re-making the Middle East and at the same time, *Pax Americana*. While the Bush administration falsified evidence to convince a wary public, it more convincingly – though even more untruthfully – linked the leader of Iraq with the tragic events of September 11, 2001. For example, in a prime time conference in 2003, President Bush mentioned September 11 eight times, several times in the same breath as Saddam Hussein (Feldmann 2003). In search of an enemy and a desire to hold someone responsible, a fearful public was persuaded of the connection. The Program on International Policy Attitudes (2003) found that those who “incorrectly believed that evidence of the links between Iraq and al Qaeda have been found” were more likely to support the Iraq War. In fact, two other misperceptions – that weapons of mass destruction had been found in Iraq and that world opinion favored the U.S. invasion – also increased the likelihood that an individual supported the war. Incidentally, Fox news viewers were more likely to hold these misperceptions than viewers and listeners of other news sources. Even by 2008, at least one poll showed that 52 percent of Americans still believed that “Saddam Hussein had strong links to Al Qaeda,” though this figure is lower than in the early years of the war (Harris International 2008).

## **REMAKING THE MIDDLE EAST**

If there was no security reason to invade Iraq, the question then becomes why it even happened. The Middle East is critical to the future of oil. The 1970s demonstrated the power of the oil-producing countries, contributing to the decline in the terms of trade for the U.S. The U.S. Energy Information Administration predicts that world growth in energy demand will rise by 50 percent between 2005 and 2030. Competition for energy will intensify as demand from China and India

rapidly grows. The U.S., while have a slower growth rate will nonetheless fact rising prices and a scramble for access to oil and natural gas. About 40 percent of energy consumed in the U.S. is oil. The U.S. is by far the largest consumer of oil, making up nearly one-fourth of global demand even though it only 4.5 percent of the world's population resides in the U.S. China, the second largest consumer, pales in comparison at only one-third of U.S. oil demand. The U.S. is the third largest producer of oil, but does not have the level of reserves as elsewhere in the world, and its production has been substantially declining. Since 1985, consumption has increased by nearly one-third, but production of crude oil declined by 44 percent. Total imports of oil during the same period increased by 166 percent.<sup>3</sup> Oil is not just a trivial part of the economy. The American way of life is constructed around the automobile and the suburbs. The auto industry is related directly or indirectly to millions of jobs in the economy. Petroleum and petroleum product imports are substantial, making up 21 percent of all imported goods in 2008 and contributing to the trade deficit.

About half of U.S. oil imports are from the Western Hemisphere, but the long-term outlook inevitably includes substantial imports of Middle Eastern oil. Nearly two-thirds of oil reserves (61 percent) are in the Middle East (British Petroleum 2008). In the absence of a radical change in the U.S. economy and its reliance on fossil fuels, which is anyway rejected by the neoconservative movement, there is no possibility for the U.S. economy to continue without increased reliance on the Middle East. The Middle East will become increasingly important and increasingly powerful in the future economy.

In order to guarantee the long-term flow of oil to the United States at stable prices required more than the long-term protection agreements with Saudi Arabia.<sup>4</sup> Instead, the U.S. followed a path where it pursued re-making the Middle East and securing long-term access to the nation-state which had the second largest oil

---

<sup>3</sup> Energy Information Administration, International Energy Annual, Short Term Energy Outlook, Table 3a, Table 3b (Forecast values). I compared 1985 to 2007 in order to exclude the impact of the recession on the statistics. Including 2008 gives the appearance that oil consumption has not increased as much as it has over the time period.

<sup>4</sup> Klare (2004) discusses the history of the U.S. relationship with Saudi Arabia.

reserves, Iraq. In fact, some believe Iraq has even larger reserves than Saudi Arabia. During the Reagan administration, the political and military policy toward Iraq was to create a staunch ally. This was a continuation of the U.S. backing of Saddam and the Ba'ath Party which began in the early 1960s when U.S. intelligence assisted Saddam in seizing power. Saddam Hussein was a secular leader who was the enemy of Iran, another oil producing country but which had a religious leadership directly opposed to western capitalism. Iraq was given military assistance. Eventually, however, when this relationship was not perceived as achieving the goal of securing Iraq into a neo-colonial relationship with the United States, policy changed. During the 1990s, American oil companies had been excluded from making contracts with Iraq for oil exploration and extraction, but countries such as France and Russia had large contracts. While these contracts could not be pursued as long as UN sanctions lasted, the U.S. invasion effectively canceled those contracts in favor of U.S. oil interests.

## **PROJECTING GLOBAL MILITARY PRESENCE**

The invasion of Iraq in order to re-make the Middle East according to U.S. interests was not the only attempt to re-establish *Pax Americana*. The global presence of the U.S. remains substantial, but has changed over the past two decades. The military as an institution has adjusted and changed in response to its environment.

Even without the wars in Iraq and Afghanistan, 20 percent of military personnel are ashore or afloat overseas. The U.S. also has a significant number of bases overseas. While official, permanent bases have decline in numbers since the 1980s, new types of bases have evolved. Of the total Department of Defense inventory listed in the Department of Defense *Base Structure Report (2007)* 17 percent of all installations are overseas. The Base Structure Report is incomplete and does not detail the actual number and extent of bases across the globe. Key U.S. military facilities are not included in the report. For example, the main Army

facility in Saudi Arabia, Eskan Village, or any other location in Saudi Arabia, is not included in the installation report.

Other sites and locations establish a permanent or pass-through presence for the U.S. military, but are not included in Department of Defense reports. The military defines three types of facilities. Main Operating Bases, such as those in Germany, Japan, and Korea, have permanently stationed troops, robust infrastructure, support facilities and are integrated in command and control systems. Forward Operating Sites are “warm facilities” with a limited military support presence. These facilities might contain prepositioned equipment and/or be stations for training. Prepositioned programs of the Army and other branches result in placements of equipment, for example, combat brigade sets or sustainment stocks, which can be tapped into in case of military operation. One example of a Forward Operating Site is the Soto Cano Air Base in Honduras. This site is not listed in the Department of Defense *Base Structure Report*. This type of installation may or may not appear in the installation report, reinforcing the incomplete nature of the annual base structure reports. A third type of base is a Cooperative Security Location which is a facility with little or no permanent U.S. presence but are maintained by private contractors or the host nation. These locations allow for landing access, fueling and other support as well as training exercises. Again, these locations, such as the Air Force site in Dakar, Senegal, are not included in the base structure reports.

Even without complete information on military bases overseas, the global presence is substantial. From Diego Garcia in the Indian Ocean to Guam, which lies in the Pacific Ocean east of the Philippines, from Ecuador in South America to South Korea in Asia, the U.S. military presence lurks on tiny islands that have been de-populated and in large countries whose populations do not always favor the presence of troops. While the number of troops permanently based overseas decline between 1990 and 2000, and the number of sites supposedly declined, the empire was maintained through different means.

Troops and bases have been, and continue to be, concentrated in two locations – western Europe and northeast Asia. In spite of the trends toward a more CONUS-based (Continental United States) force structure, U.S. military presence has expanded outside of the traditional garrisons. The 2001 Quadrennial Defense Review called for a “reorientation of the posture” in order to “take account of new challenges, particularly anti-access and area-denial threats” (Department of Defense 2001: 17). The document declared “projecting and sustaining U.S. forces in distant anti-access or area-denial environments” and defeating these threats as one of six critical operational goals (Department of Defense 2001: 30).

The Bush administration’s 2002 National Security Strategy called for bases and stations “within and beyond Europe and Northeast Asia, as well as temporary access arrangements for the long-distance deployment of U.S. forces” (White House 2002: 29). The 2004 global posture statement to Congress confirmed that the Department of Defense was seeking cooperation with partners in the Middle East, and that the agency seeks to establish, maintain and upgrade forward operating sites and cooperative security locations. The intention, though, was to seek a presence that avoided “the heavy footprint that abrades on regional sensitivities” (Department of Defense 2004: 13) While there will be a broader base of CONUS-based forces, “the need for the United States to maintain a forward defense posture to protect and promote our Nation’s interests has not changed” (Department of Defense 2004:16).

The fiscal year 2009 budget released in February 2008 included \$649 million for “new basing that will continue the shift of defense posture from legacy Cold War relationships and forces overseas to new structures that provide more strategic flexibility” (Office of Management and Budget 2008).

More than one-third of the Navy is afloat in international seas at any moment in time. This speaks to another mechanisms the military has used to project a forward posture. The military is experimenting with more off-shore versions of bases, which is why prepositioned supplies are so important. In South American, the Fourth Fleet of the Navy was re-activated in July 2008 to patrol

waters adjacent to South America. Previously, a small Naval component unit was part of U.S. Southern Command, the military command responsible for Central and South American, the Caribbean and adjacent waters. This move indicated further interest in the region, particularly given the rise of left-wing governments with oil reserves. The military is also developing new practices which will make more use of ships for activities that were previously carried out on land.

Another significant change in U.S. military presence was the “standing up” of a new geographic unified combatant command, U.S. Africa Command. The military divided the world into five geographic commands: Northern Command, Southern Command, Pacific Command, European Command, and Central Command. Northern Command was only established in 2002 in response to the terrorist attacks of 2001. Central Command, responsible for the Middle East, was created in the 1980s. The other commands have histories that go much further back in time. Until 2008, U.S. European Command had Africa in its area of responsibility. As competition for resources, particularly oil, intensified, and Chinese oil companies expanded exploration on the continent, the U.S. military and policy makers perceived Africa as having particular strategic interest. By 2008, a new geographic unified combatant command, U.S. Africa Command was stood up with resources particularly focused on the continent to monitor events and intervene.

## **THE WAR ON TERROR AT HOME**

The neoconservative effort to reconfigure the state had an impact on domestic institutions as well. The role of the state was impacted by the need to recruit youth into the military to fight the wars, the PATRIOT Act, and the creation of the mission area and the Department of Homeland Security.

As the wars in Afghanistan and Iraq dragged on, the branches of the military frequently could not meet their quotas for new recruits and so adopted more aggressive recruiting strategies. Each branch, but particularly the Army, loosened eligibility standards accepting low-scoring recruits on the Armed Forces

Qualification Test, accepted a larger proportion of students who did not have a high school diploma, took in more recruits with criminal backgrounds, and increased the maximum age limit to 42. The Department of Defense increased spending on recruiting and increased the number of recruits. High school students cannot escape countless recruiter visits, phone calls, and what many describe as harassment and aggressive behavior on the part of recruiters. Even though the military data is poor and understates irregularities in recruiting, a Government Accountability Office (2006) study showed that between 2004 to 2005 – only a one year period - alleged irregularities increased by 50 percent, substantiated irregularities increased by 50 percent, and criminal violations more than doubled. Even very young students are encountering the military more frequently in schools. Junior ROTC (Reserve Officers' Training Corps) programs are in high schools and even junior high schools. These programs expanded recently, taking advantage of school experiencing budget cuts. The military funds military teachers through the JROTC programs, so that school can gain teaching time that is funded by the Department of Defense. While there is no research on these programs, there are reports of irregularities in what these military teachers are actually teaching.

After September 11, the PATRIOT Act passed Congress. The Patriot Act was such a long document and was passed so quickly, it was not truly debated and was probably not even read by most Representatives, Senators, and their aids. The PATRIOT Act undermined civil liberties in the U.S. While this does not necessarily have any immediate economic impact, it does contribute to the militarization of the country and the increased power of the state over its citizenry. What is suspicious is that the document is so long and comprehensive, that is was most likely written prior to September 11 and was part of a larger neoconservative agenda to reconfigure the state.

The Department of Homeland Security involved the largest reorganization of the federal government since World War II. The new cabinet-level agency became the home of the Federal Emergency Management Agency (FEMA) and parts of nine other departments: Justice, Transportation, Treasury, Agriculture, Health and

Human Services, Energy, Federal Bureau of Investigation, Defense, and the General Services Administration. The agency is organized into four directorates: Border and Transportation Security, Science and Technology, Information Analysis and Infrastructure Protection, and Emergency Preparedness and Response. The Department of Homeland Security's mission statement focuses on terrorist attacks and does not mention accidental or natural disasters, other than the inclusion of the phrase "hazards to the nation":

We will lead the unified national effort to secure America. We will prevent and deter terrorist attacks and protect against and respond to threats and hazards to the nation. We will ensure safe and secure borders, welcome lawful immigrants and visitors, and promote the free-flow of commerce.

(Department of Homeland Security 2006)

The *mission* area of homeland security is not coterminous with the Department of Homeland Security. The mission area is defined as "a concerted national effort to prevent terrorist attacks within the United States, reduce America's vulnerability to terrorism, and minimize the damage and recover from attacks that do occur" (Executive Office of the President 2002: 2). The mission includes activities carried out by other departments. In fiscal year 2008, \$62 billion was authorized for the mission area of homeland security, \$30 billion of which was for activities carried out by the Department. The agency received another \$10 billion for the non-homeland security activities of disaster relief, marine safety and navigational support, and immigration services.

A study of the agency, mission area and related activities led this author (Dancs 2006) to conclude that this massive reorganization of federal government resulted in the absolute neglect of all too frequent natural and accidental disasters. Some believe that the cost-benefit analysis of terrorism indicated the more than \$300 billion spent on homeland security between 2003 and 2008 was justified even when hundreds of billions of dollars is spent each year on "national security" which is supposed to carry out similar missions. Providing protection to U.S. residents

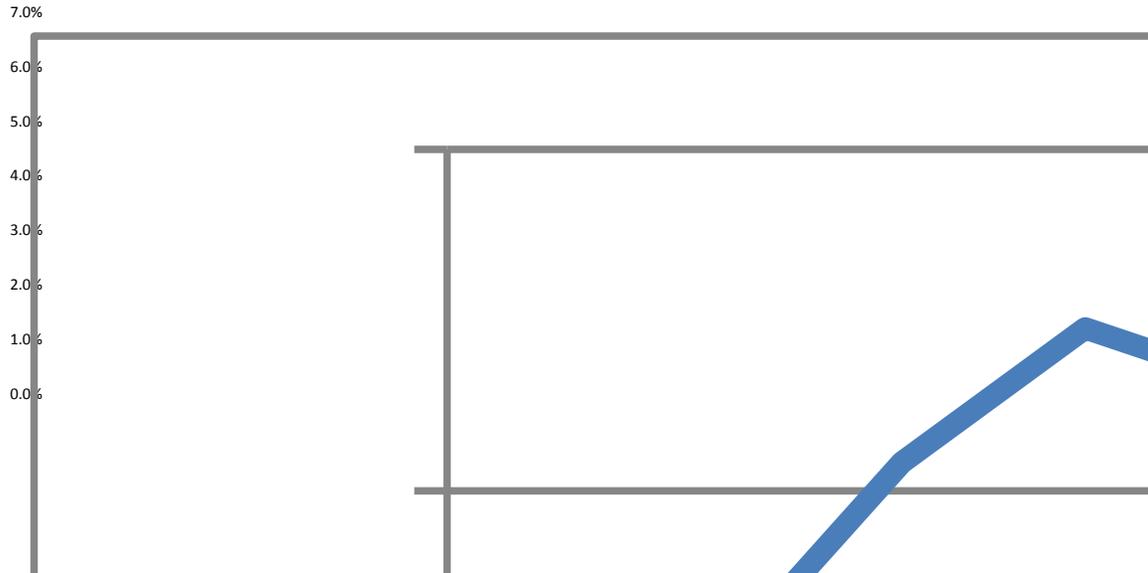
subject to natural and accidental disasters. But the inability of government to respond to Hurricane Katrina indicated a new relationship between the state and citizen. The state would not provide physical security to the citizen. Taken together with the PATRIOT Act, the concept of homeland security places citizens in the relationship of the state as children who must sacrifice civil liberties previously guaranteed by the Constitution in order to be “secure,” but security is in no way guaranteed.

The re-organization of government also had another important component: It undermined labor unions. The war on terror was also a war on unions. The bill creating the Department of Homeland Security contained a provision prohibiting the 170,000 workers their right to collective bargaining. Court rulings prevented the unilateral personnel rules from being implemented, yet airport screeners were prevented from unionizing and there were further pushes for ending collective bargaining for other federal employees.

## **CONTRADICTIONS CONTINUE**

The effort to re-establish in *Pax American*, albeit in a new form, failed to resolve the inherent contradictions in the U.S. economy. Military spending grew tremendously as shown in Figure 2, from 3.2 percent of gross domestic product in 1999 to an estimated 4.7 percent in 2009. This level of military spending guaranteed a market for the goods and services of defense contractors and led to the emergence of a new (or reformed) industry: private security contractors, previously known as mercenaries. As more military activities are privatized, private sector organizations have taken on activities that were previously done by military personnel. This is a natural consequence of waging two wars and the absence of a draft, but has created quite profitable opportunities for entrepreneurs. It also undermined transparency and accountability of the state and its role.

**Figure 2: Military spending as a percentage of gross domestic product**



Source: Office of Management and Budget, Budget of the U.S. Government, FY2009, Historical Tables. Military spending is defined here as the function area of national security and sub-function areas of international security assistance, and space flight, research and supporting activities.

The level of military spending simply drained resources from capital formation, continuing the contradiction that emerged in the 1970s. The U.S. entered the 21<sup>st</sup> Century with a particularly weakened infrastructure. This did nothing to restore profitability and improve productivity outside of a small sector of capital.

The United States is essentially stuck in two major military operations, neither of which it can successfully win. While in the long run, the U.S. may have opened up Iraqi oil fields to the U.S. oil companies, it will be at a significant cost and at this point in time seems unlikely. The Iraqi parliament indicated that it is unwilling to de-nationalize the oil industry and change the basic structure of oil production.

On top of the enormous drain caused by seven and a half years of the “long war,” the impact of homeland security has trickled down to state and local governments. These governments have had to implement a number of federal government mandates on homeland security imposing significant costs and draining budgets. At this point, the capital-citizen accord, devastated by the neoliberal

policies of the 1980s and 1990s has been further altered by a new role of the state: the security business. Residents of the country gain little as their tax dollars increasingly foster activities that create few jobs and provide no visible services.

The rejection of collective internationalism leads to another contradiction. The U.S. bears the burden of protecting sea lanes. The military clearly states its role in protecting access and securing commerce. The *Maritime Strategy* of 2007 produced by the Department of the Navy and the U.S. Coast Guard states on its opening page, “90% of the world’s commerce travels by sea...seapower protects the American way of life” (Department of the Navy and U.S. Coast Guard 2007). Recent news coverage has made more people aware of piracy, an increasing problem in an era of failed nation-states, easy access to weapons, and increased global inequality. However, there is no reason for the U.S. to bear the brunt of paying for that security. U.S. exports make up less than 10 percent of world exports. U.S. hegemony may secure trade and protect U.S. capital, but ironically, the U.S. taxpayer is securing trade and access to oil to free-riding countries. The U.S. spends more on its military than the rest of the world combined. Meanwhile, it runs large trade deficits in goods so its residents can buy and throw away cheap, disposable consumer goods.

Finally, further depressing wages through union busting activities also exacerbates a more recent contradiction. If wages do not grow, effective demand will fall short of productive capacity, depressing capital accumulation. Military spending, even with today’s additional spending on homeland security, cannot make up this gap.

While the role of the military, as well as the state, may have been reconfigured during the 1990s and early 21<sup>st</sup> Century, it is still not configured in such a way that it can foster expansion and capital accumulation. The existing contradictions in the institutional configuration of the U.S. and its military will continue to plague the economy.

## REFERENCES

- Albritton, R., M. Itoh, R. Westra, and A. Zuege (eds). (2001). *Phases of Capitalist Development: Booms, Crises and Globalizations*. New York: Palgrave.
- Bowles, S., D.M. Gordon, T.E. Weisskopf. (1990) *After the Waste Land: A Democratic Economics for the Year 2000*. New York: M.E. Sharpe, Inc.
- British Petroleum. (2008, June). *BP statistical review of world energy*. Retrieved September 9, 2008 from:  
<http://www.bp.com/productlanding.do?categoryId=6929&contentId=7044622>
- Dancs, A. (2006, September). "Terrorism or all-hazards? Broadening homeland security," in *Are We Safer? Five Years After the September 11th Attacks Assessing the U.S. Security Situation and Alternatives for Moving Forward*. Amherst, MA: Proteus Fund.
- Department of Defense. (2007, Fiscal Year) *Base Structure Report, Fiscal Year 2007 Baseline*. Washington, DC.
- Department of Defense. (2004, September). *Strengthening U.S. Global Defense Posture, Report to Congress*, Washington, DC.
- Department of Defense. (2001, September 30) *Quadrennial Defense Review Report*. Washington, DC.
- Department of the Navy and U.S. Coast Guard (2007, October). *A Cooperative Strategy for 21<sup>st</sup> Century Seapower*. Washington, DC.
- Donnelly, T. (2000). *Rebuilding America's Defenses: Strategy, Forces and Resources for a New Century*. Washington, DC: Project for the New American Century.
- Energy Information Administration. (2008a, January). *Country analysis briefs: World oil transit chokepoints*. Retrieved August 15, 2008, from:  
[http://www.eia.doe.gov/cabs/World\\_Oil\\_Transit\\_Chokepoints/Full.html](http://www.eia.doe.gov/cabs/World_Oil_Transit_Chokepoints/Full.html)
- Energy Information Administration. (2008b, September). *International energy outlook 2008*. (Report # DOE/EIA-0484(2008)).
- Energy Information Administration. (2008c, August 22). *Energy in brief*. Retrieved September 1, 2008, from:  
[http://tonto.eia.doe.gov/energy\\_in\\_brief/foreign\\_oil\\_dependence.cfm](http://tonto.eia.doe.gov/energy_in_brief/foreign_oil_dependence.cfm)
- Harris International, Inc. (2008, November 10). "Significant Minority Still Believe that Iraq Had Weapons of Mass Destruction When U.S. Invaded," Retrieved

April 25, 2009 from:

[http://www.harrisinteractive.com/harris\\_poll/index.asp?PID=972](http://www.harrisinteractive.com/harris_poll/index.asp?PID=972)

Feldmann, L. (2003, March 14). "The impact of Bush linking 9/11 and Iraq American attitudes about a connection have changed, firming up the case for war," *Christian Science Monitor*. Retrieved April 25, 2009 from: <http://www.csmonitor.com/2003/0314/p02s01-woiq.html>

Government Accountability Office. (2006, August). *Military Recruiting: DOD and Services Need Better Data to Enhance Visibility over Recruiter Irregularities*. (Report # GAO-06-846 August 2006).

Klare, M.T. (2005). *Blood and Oil: The Danger and Consequences of America's Growing Dependency on Imported Petroleum*. New York: Owl Books.

Kondratieff, N.D. (1935). "The long waves in economic life," *Review of Economic Statistics*, 17 (6), 105-115.

Kotz, D.M. (2001). "The state, globalization and phases of capitalist development," in R. Albritton, M. Itoh, R. Westra, and A. Zuege (eds). (2001). *Phases of Capitalist Development: Booms, Crises and Globalizations*. New York: Palgrave.

Kotz, D.M., T. McDonough and M. Reich (eds) (1994a). *Social Structures of Accumulation: the Political Economy of Growth and Crisis*. Cambridge: CUP.

Kotz, D.M. with F. Weir. (1997). *Revolution from Above: the Demise of the Soviet System*. London: Routledge.

Lippert, A. (2006, November) "Social structure of accumulation theory," Paper Prepared for Conference on Growth and Crises: Social Structure of Accumulation Theory and Analysis, National University of Ireland, Galway, Ireland.

Office of Management and Budget, *Budget of the U.S. Government, FY2009*, Washington, DC.

Program on International Policy Attitudes. (2003, October 3). "Study finds widespread misperceptions on Iraq highly related to support for war." Retrieved April 15, 2009 from: [www.pipa.org/OnlineReports/Iraq/IraqMedia\\_Oct03/IraqMedia\\_Oct03\\_pr.pdf](http://www.pipa.org/OnlineReports/Iraq/IraqMedia_Oct03/IraqMedia_Oct03_pr.pdf)

Project for the New American Century. (1997). "Statement of principles." Retrieved April 15, 2009 from: <http://www.newamericancentury.org/statementofprinciples.htm>

Schumpeter, J. (1939). *Business Cycles: A Theoretical, Historical and Statistical Analysis of the Capitalist Process*. New York: McGraw-Hill.

Tyler, P. (1992, March 8). "U.S. strategy plan calls for insuring no rivals develop," *New York Times*. Retrieved May 1, 2009 from:  
<http://www.nytimes.com/1992/03/08/world/us-strategy-plan-calls-for-insuring-no-rivals-develop.html>

White House. (2006) *The National Security Strategy of the United States of America*. Washington, DC: Office of the President.

White House. (2002) *The National Security Strategy of the United States of America*. Washington, DC: Office of the President.

Wolfowitz, P. (1998, February 25). Testimony before the Committee on International Relations, U.S. Options Confronting Iraq, pp. 14-21. Retrieved May 1, 2009 from:  
[http://commdocs.house.gov/committees/intlrel/hfa48782.000/hfa48782\\_0.htm](http://commdocs.house.gov/committees/intlrel/hfa48782.000/hfa48782_0.htm)