To a large extent, the discipline of international political economy (IPE) emerged in response to the perceived tendency of economic and financial globalization to undermine the power of nation-states, including that of the US state. The Bretton Woods system of fixed exchange rates was seen as the high point of American power in international finance. The decade of the 1970s saw international and domestic confusion, with several countries pursuing policies that were little to the liking of the US, while at home stagflation produced great regulatory perplexity. Not surprisingly, then, IPE scholars saw the end of Bretton Woods and the subsequent globalization of financial markets as signifying the decline of America’s power in international finance. In this perspective, America’s neoliberal policy turn during the late 1970s and early 1980s was seen as giving it some short-term advantages, but doing little to halt the decline: the huge inflows of capital that followed the artificially high interest rates were seen as serving to finance American indulgence (the hallmark of an imperial power in decline) as the American people and government borrowed more than ever before. While American banks continued their slide in the international rankings, and as the US’s financial woes were complemented by troubles in other areas, theories of hegemonic decline flourished.

In fact, however, the American financial system continued to grow, American intermediaries innovated like never before, the US continued to attract large flows of capital, and American banks quickly returned to the top of the international league tables. By the last decade of the twentieth century it appeared that the crises of the 1970s and 1980s had done little lasting damage to the American financial system as a whole; the liquidity that the US state had pumped into the financial system after the 1987 stock market crash proved fairly effective, as did many of the (highly market-friendly) reforms. It was the US that was most active in opening up the economic and financial systems of other countries, and it was the US that benefited the most.

Under these circumstances, critical strands in IPE began to concentrate more on the sources of the asymmetrical effects of financial globalization. The globalization of financial markets, it was argued, had not only undermined
the US-dominated institutions of Bretton Woods, but had also been the driving force behind the creation of more indirect, structural relations of power in which the US was much more favourably positioned than other countries. However, what has never really been sufficiently worked out in this literature were the precise ways in which US power relations, practices and institutions were embedded in expanding financial markets, i.e. the organic institutional linkages between the operation of global finance and the US state that were at the root of America’s privileged position. Accordingly, the literature developed in critical IPE soon began to develop its own decline thesis: financial globalization had created extraordinary opportunities for the US, but those opportunities were no longer properly embedded in and supported by hegemonic institutional structures.

This volume is premised on the idea that attempts to analyse US power in terms of America’s ability or inability to defy the laws of capitalist finance represent a dead-end. The chapters in this volume try to uncover the concrete institutional mechanisms and historical sources of what often appears to be a mysterious, ungrounded ability of the US state to manipulate and benefit from the operation of global financial markets. To that end, it recasts the problematic as one of American empire – a concept that serves to emphasize that the relations between financial globalization and the US state are internal and mutually constitutive. The global financial markets and the American state are not separate entities, to be articulated only after their respective constitution. Rather, they are connected through a dense web of organic institutional linkages.

Of course, American empire is qualitatively different from previous forms of imperialism, which were based on colonial rule and the geographical transplantation of the authority of the formal state. In such eras imperialism was obvious and visible in a way it is not when it assumes the form of a more subtle process of socio-economic interpenetration and informal political domination. But that makes it more rather than less important to adopt a perspective that emphasizes the imperial dimension of globalization: precisely because it appears as driven by neutral economic mechanisms, the expansion of practices and institutions acquires a tacit, indirect quality that often enhances its legitimacy and hides its imperial nature. For critics of neoliberal globalization and imperialism, the point is precisely to look behind the neutrality of appearances, i.e. to decode institutions and to conceptualize the patterns of economic power and imperial domination shaped through them.

The difficulty of grasping this elusive, tacit quality of American power\(^1\) is borne out by the fact that it is rarely explicated in concrete historical terms; analyses are either theoretical and abstract or, when addressing historical questions, tend to focus once again on the more immediately visible aspects of American power. What tends to get lost is the distinctive nature of American international economic power. For it is precisely its hard-to-pin-down, indirect quality that allows American economic power to straddle the