

Between Two Great Powers with Different Forms of Expansion: the Incorporation of China into the Capitalist World-Economy and the Future of U.S. Hegemony

*Entre dos grandes potencias con diferente forma expansiva:
la incorporación de China en la economía-mundo capitalista
y el futuro de la hegemonía estadounidense*

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ABSTRACT

This article analyzes interstate competition and the new power configurations of the Sino-American hegemonic conflict from the perspective of the dynamics of China's incorporation into the *longue durée* of the capitalist world economy. Its central argument is that the historical specificity of wealth and power accumulation in East Asia in general and China in particular diverges from Western patterns characterized by military competition and territorial expansion, making it inappropriate to compare China with other Western powers that aspired to hegemony. To do so, the debate on the possible outcomes of the crisis of American hegemony is presented. Then, the expansionary matrix of the great European powers is discussed. Third, China's incorporation into the capitalist world-economy is reconstructed from the First Opium War to the Great Recession. Finally, a brief answer is attempted as to why China's expansionary form diverges from other Western powers that sought hegemony.

RESUMEN

Este artículo plantea un análisis de la competencia interestatal y las nuevas configuraciones de poder del conflicto hegemónico sinoestadounidense desde la perspectiva de la dinámica de incorporación de China en la *longue durée* de la economía-mundo capitalista. Su argumento central es que la especificidad histórica de acumulación de riqueza y poder en Asia oriental en general y China en particular diverge de las pautas occidentales caracterizadas por la competencia militar y la expansión territorial, haciendo que comparar a China con otras potencias occidentales que aspiraron a la hegemonía resulte improcedente. Para ello, primero, se muestra el debate sobre los posibles desenlaces a la crisis de la hegemonía estadounidense. Después, se discute la matriz expansiva de las grandes potencias europeas. En tercer lugar, se reconstruye la incorporación de China a la economía-mundo capitalista desde la primera Guerra del Opio a la Gran Recesión. Por último, se ensaya una breve respuesta al porqué la forma expansiva

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china diverge con otras potencias occidentales que buscaron la hegemonía.

Keywords: China; United States; global political economy; interstate system; East Asia; hegemonic conflict.

Palabras clave: China; Estados Unidos; economía política global; sistema interestatal; Asia oriental; conflicto hegemónico.

Introduction

At the level of capital accumulation, the most significant historical-global process likely to unfold in the 21st century is the reorientation of the center of the global political economy (GPE) towards East Asia and China. At the level of interstate power accumulation, the analogous process is the struggle for hegemony within the globally extended European interstate system between the declining power, the U.S., and the rising power, China. The systemic cycles of accumulation and the rise and fall of hegemonic powers are the two major secular dynamics of the modern world-system (Arrighi, 1999; Wallerstein, 2011). Historical-world hegemonies are long-term processes extending over a century and unfolding in four phases: rise, decline, crisis/contest, and collapse/transition.¹ Hegemonic crises/contests are characterized by the peak of three interwoven but autonomous dynamics: “the intensification of interstate and inter-corporate competition, the escalation of social conflicts, and the interstitial emergence of new power configurations” (Arrighi & Silver, 2001: 36). During the collapse/transition phase, these processes converge in profound transformations of both the political-economic structures of the world-economy on a global scale and the agencies directing capital accumulation.²

The U.S. hegemony in the modern world-system emerged from the struggle against Germany during the collapse/transition phase (1914-1945) of British hegemony. It peaked postwar until the signal crisis of 1973/1982. A gradual but inexorable decline followed from this crisis until the Great Recession (2008) (Wallerstein, 2005; Anderson, 2014). The war on terror and the Great Recession ultimately opened the door to China’s geopolitical rise and ushered in the crisis/contest phase of U.S. hegemony in the modern world-system. This research aims to adopt Sino-U.S. relations during the second half of the 20th century as a key perspective for inferring the nature of interstate competition in the 21st century. From this viewpoint, it

¹ “The political superstructure of a world-economy is not a bureaucratic empire, but an interstate system composed of supposedly sovereign states [...] What does it mean to say that there is a hegemonic power? It means that a state is able to impose a set of rules on the interstate system and thus create a world political order as it sees fit” (Wallerstein, 2011: xxiii).

² “Hegemonic collapses constitute decisive turning points in hegemonic transitions, since they are the moment when the systemic organization built by the declining hegemonic power disintegrates, and a period of systemic chaos begins, but new hegemonies are also forged” (Arrighi & Silver, 2001: 40).

becomes evident that the rise of U.S. hegemony coincided with China's estrangement following the Korean War. The beginning of U.S. decline was accompanied by China's political and commercial reintegration after the Vietnam War. Finally, China's geopolitical ascent and the intensified shift of the global political economy's center of gravity towards the East are inseparable from the impacts of the war on terror and the Great Recession (Arrighi, 2007: 274).

This article's central question is: Is China doomed to repeat the pattern of other states that have risen within the modern interstate system? The objective is to analyze China's integration into the capitalist world-economy over the *longue durée* to elucidate the characteristics of interstate competition and the emergence of new power configurations as cardinal processes of the crisis/contest phase of U.S. hegemony.³ The thesis proposed is that the modern world-system has entered a phase of hegemonic crisis/contest; however, the specific historical dynamics of wealth and power accumulation in East Asia in general, and China in particular, diverge from Western patterns characterized by military competition and territorial expansion, rendering comparisons with Western states that aspired to hegemony misleading.⁴ From a world-systems political economy perspective, this study adopts a historical, structural, and global approach, integrating both theoretical and empirical levels, as well as the economic and political dimensions, in the analysis of the dynamics of global society (Wallerstein, 2006; Gilpin, 1990: 13).⁵ The research covers a temporal arc from the First Opium War to the Obama administration's pivot to Asia.⁶

³ As Perry Anderson (2010: 85) put it, regarding a certain interpretation of China's rise: "The rapid pace of contemporary growth is a product of China's late integration into a capitalist world economy, from whose formation it was historically absent". Contrary to the "late integration" interpretation, we argue that the origins and dynamics of China's rise can be traced back to the convergence of its imperial legacy of a non-capitalist market economy with the successes achieved during the process of Revolution and Reform. As Peter Nolan (2019) stated, "China's 'national rejuvenation' is closely linked to a long history that simultaneously involves regulating and stimulating the market". Why focus on long duration? From a short-term, event-based perspective, China's rise is reduced to a minor episode within the grand narrative of the neoliberal turn —the latest version of Western-centric discourse— thereby overlooking its unique history and specificity. What is at stake here is the comprehension, interpretation, and critique of *historical reality*, that is, "the series of structures that are enduring, but not eternal [...] that operate in patterns [...] yet also undergo a slow continuum of transformation" (Wallerstein, 1999: 152-153).

⁴ Our thesis stands in direct opposition to the views of Mearsheimer (2010), who presents a synthesis of the perspective that China will inevitably follow the historical trajectory of other rising Western powers. He explains: "Why should we expect China to act any differently than the United States over the course of its history? Are they more principled than the Americans? More ethical? Are they less nationalistic than the Americans? Less concerned about their survival? They are none of these things, of course, which is why China is likely to imitate the United States and attempt to become a regional hegemon" (Mearsheimer, 2010: 390).

⁵ As Wallerstein (2014: 11) argued, "Social reality is always and necessarily both historical (in the sense that reality inevitably changes with every nanosecond) and structural (in the sense that social action is governed by constraints derived from the historical social system within which the described activity takes place)". Thus, if the aim is to provide an interpretation of China's integration into the capitalist world-economy that does not disregard its historical specificity, one must turn to the concept of *longue durée*, which has the potential to shift the interpretative perspective on events following the end of the Cold War.

⁶ However, since long duration thinks of social processes in terms of origins and dynamics, we are repeatedly taken back to the period of the Ming Dynasty.

Controversies over the prospects of the crisis of American hegemony

In 1987, Paul Kennedy (2006: 830) concluded his *The Rise and Fall of the Great Powers* by asserting that “regarding the erosion of American preeminence, it must be repeated over and over that the decline in question is relative, not absolute, and therefore entirely natural”. As a coda, he noted that “the only serious threat to the true interests of the United States can only come from a failure to sensibly adapt to the new world order”. In a similarly ambitious and rigorous study, *The Long Twentieth Century* (1994), Giovanni Arrighi introduced, from a systemic perspective, three possible outcomes for the decline of the U.S. as outlined by Kennedy:

First, the old centers could successfully halt the course of capitalist history [...] by seizing, through force, cunning, and persuasion, the surplus capital accumulating in the new centers, thereby concluding capitalist history through the formation of a truly global world-empire. Second, the old guard might fail to stop the course of capitalist history, allowing East Asian capital to take the helm in the systemic processes of capital accumulation. [...] [Thirdly] capitalist history could conclude by permanently entrenching itself in the systemic chaos from which it originated six hundred years ago, a chaos that it has reproduced on an ever-larger scale with each of its transitions. (Arrighi, 1994: 428-429)

Zbigniew Brzezinski's concern was precisely to ward off the scenarios foreseen by Arrighi. When pondering the systemic legacy of U.S. hegemony, he responded with candor: “Democracy is inimical to imperial mobilization [...] The United States is not only the first and only true global superpower, but it will probably also be the last” (Brzezinski, 1998: 212-213). To this end, he proposed “the constitution of a geopolitical core of shared responsibility tasked with the peaceful management of the planet. Cooperation [...] over an extended period with key Eurasian partners, encouraged by the United States and subject to its arbitration” (Brzezinski, 1998: 217). The neoconservative response to 9/11 thwarted the *entente cordiale* envisioned by Brzezinski, propelling the U.S. toward the construction of a world-empire under the aegis of Dick Cheney and the neoconservative clique (Contreras, 2011).

On the eve of the Great Recession —and considering the failure of the Project for a New American Century and the geo-economic rise of China— Arrighi revisited his earlier conclusions, arguing that the possibility of the U.S. building a world-empire had drastically diminished, while systemic chaos remained a persistent reality. However, he leaned towards the prospect of the formation of a global market society centered in East Asia:

If this reorientation succeeds in revitalizing and consolidating China's traditions of self-centered market development, accumulation without dispossession, mobilization of human rather than

non-human resources, and governance through mass participation in decision-making, then it is likely that China will be in a position to make a decisive contribution to the emergence of a community of civilizations that genuinely respects cultural differences. (Arrighi, 2007: 403)

While Arrighi's research agenda followed the path of Marxism concerned with the divergence caused by Western expansion, Leo Panitch and Sam Gindin (2015: 487) adhered to the Marxist tradition focused on class relations and state theory to explain how the informal American empire led to such convergence that "it was only at the beginning of the 21st century that one could say a 'constantly expanding market' had fully spread capitalist social relations 'across the entire surface of the planet.'" For Arrighi, China's rise was irrefutable evidence of the U.S. hegemonic crisis. In contrast, Panitch and Gindin argue that China's integration into the U.S.-dominated global capitalism is a testament to the expansive vitality of American capitalism's second golden age (1983-2007). Looking ahead: according to Arrighi, China's rebalancing will play a decisive role in reorientating the capitalist world-economy. Meanwhile, for Panitch and Gindin, the antisystemic battlefield is not so much between states as it is within social conflicts inside states, particularly in the West

Closer to Arrighi's perspective than Panitch and Gindin's, this study aims to contribute to the analysis of the trajectory of U.S. hegemony from a relational approach by questioning the implications for the hegemonic struggle of China's specificity in the accumulation of wealth and power.

Why is the West expanding? The dialectic between territory and capital

In an intervention aimed at countering positions that seek to transpose the U.S.-Sino dispute with the containment strategy applied by the U.S. against the Soviet Union (USSR) during the Cold War, Henry Kissinger highlighted the core issue overlooked by international relations theories that tend to compare China to other Western states with hegemonic ambitions:

China's emerging role is often compared to Imperial Germany's in the early 20th century, suggesting that a strategic confrontation is inevitable [...] This assumption is as dangerous as it is mistaken. The 19th-century European system assumed that the primary powers would ultimately assert their interests through force. Each nation believed that a war would be brief and that, in the end, its strategic position would improve [...] Military imperialism is not China's style [...] China pursues its goals through careful study, patience, and a cumulative approach; only rarely does China risk a winner-takes-all confrontation. (Kissinger, 2005)

Kissinger's concise argument reveals the shortcomings of conventional international relations theories across three key areas: 1) China's specificity in state-building and warfare organization, 2) fundamental differences between the dynamics of the modern European interstate system and the Sino-centric commercial-tributary system in structuring interstate politics, and 3) the dialectic between capitalism and territorialism in the modern world-system generally and during U.S. hegemony specifically.⁷ These considerations, therefore, continue to prompt two fundamental questions for social sciences, which demand further theoretical inquiry: Why did the West expand historically, creating distant empires and global structures of domination? Is China destined to replicate the behavior of other states that sought hegemony?

During the first half of the 20th century, classic imperialism theory answered the first question from a state-centric, Eurocentric, and stage-based framework, with a circumstantial conception of capital centralization and an inability to analytically distinguish between capitalism and territorialism (Luxemburg, 1967; Lenin, 1974; Sweezy, 1945). The theoretical acuity of classical imperialism theory blurred when U.S. hegemony replaced British free-trade imperialism with an *informal empire*, characterized by not "aiming for territorial expansion in the manner of old empires" but instead by the fact that "U.S. military interventions abroad were primarily directed at preventing the closure of specific places or entire regions of the planet to capital accumulation" (Panitch & Gindin, 2015: 28).

The study of capitalism as a historical world-system became essential to revisiting the dialectic between capitalism and territorialism, grounded on the premise that "capitalism entails not only the expropriation of surplus value produced by workers but also an appropriation of the surplus of the entire world-economy by core areas" (Wallerstein, 2004: 101). Following the leads of Marx, Weber, Braudel, and Wallerstein (2004: 97) —who collectively define the core of capitalism as "the production of goods for sale in a market with the objective of maximizing profit" (Kocka, 2016; Marx, 1988; Weber, 2001; Braudel, 1985)—, Arrighi (1999: 49) initiated the analytical distinction between *capitalism* and *territorialism* to construct a genealogy of world-historical hegemonies in the modern world-system, where capitalist dominion aligns with the degree of control over scarce resources and regards territorial acquisitions as both a means and a byproduct of capital accumulation.

In Arrighi's genealogy, the question of what causes the expansionary tendency in capitalist power dynamics is answered through Weber's provocative thesis (1964: 676), which suggests that "imperialist capitalism [...] has always offered the highest possibilities for profit". For Weber, pursuing profit encourages the drive for territorial expansion through war while simultaneously boosting the power and prestige of the social classes that direct it.

⁷ These points are addressed more fully in Kissinger (2012, epilogue).

Weber will argue that “not every political form is equally expansionist [...] political forms are power forms directed outward in varying proportions” (1964: 668).

Thus, Arrighi synthesized Weber’s theses with Marx’s insights, which expose the dialectic between colonialism, public debt, international credit, and the modern fiscal system in the development of capital accumulation, alongside Braudel’s⁸ emphasis on the inextricable relationship between capitalism and the state, to construct a compelling explanation for the expansion of the capitalist world-economy via the co-reinforcement of capitalism, industrialism, militarism, and Euro-Westernism at the expense of the Global South.⁹

Similarly, David Harvey pointed out the dialectical aspect (i.e., complementary and contradictory) of capitalist and territorialist power logic, emphasizing the role played by geographical differences in capital accumulation. In the real world of capital accumulation, as opposed to the idealized world of orthodox economic theory, constructing asymmetries in time and space fosters increased capitalist profit (Harvey, 2004, 2012). According to Harvey, it was Hegel who first understood the importance of spatial solutions for the “internal” crises of civil society, noting that society “increases the accumulation of wealth” while simultaneously expanding “the dependence and misery of the class-bound to this work” until “it is driven beyond itself [...] to seek beyond its own sphere, among other peoples—who lag in the means it has in excess, or industry generally— consumers and thus the means necessary for subsistence” (Hegel, 2000: 295, § 246). The polarizing tendency observed by Hegel aligns perfectly with Marx’s theme of tendencies toward crises of overaccumulation or realization in capitalist society (Marx, 1980: 456). Spatio-temporal solutions can deal with excess capital or labor unable to find profitable outlets or employment, providing “a powerful lever to mitigate, if not resolve, the tendency toward crisis in capitalism” (Harvey, 2004: 80).

The following section explores the dynamics of China’s incorporation, peripheralization, and rise within the capitalist world-economy, guided by the geopolitical dimension of the process and in dialogue with the theoretical patterns outlined by Arrighi and Harvey.

A brief history of China’s incorporation into the capitalist world economy

Two opposing trends emerge when explaining the origins, characteristics, dynamics, and consequences of China’s integration into the capitalist world-economy. On one side, advocates of the “transition to capitalism” argue that China’s growth can be traced to the 1980s when market-oriented reforms that enabled profit-making were combined with diaspora

⁸ Marx (1988: vol. 3, 943-945); Braudel (1985: 77-78).

⁹ “The industrialization of war greatly favored the self-reinforcing cycle in which European military organization supported and was supported by economic and political expansion at the expense of other peoples and political entities of the planet” (Arrighi, 2007: 283).

capital flowing into Special Economic Zones (SEZs) to promote labor-intensive, low-cost export activities (Brandt and Rawski, 2008: 12). The *paradigm of late integration*, being based on a conjunctural view of historical time and treating the state as the primary unit of analysis, lacks a global-historical explanation. On the other hand, *the incorporation paradigm* posits that China began integrating into the capitalist world-economy when the Sino-centric tributary-trade system gradually disintegrated as the “organized and concentrated violence” of the West aimed to “open up” Qing dynasty China to the British cycle of systemic accumulation, ultimately making it a peripheral member (Arrighi & Silver, 2001; Arrighi, 2007; Wallerstein, 1998).

Prior to its incorporation into the capitalist world-economy following the First Opium War (1839-1842), the Sino-centric East Asian world-economy has been characterized as a *non-capitalist market economy* (Hung, 2016). What were its main characteristics?

- 1) *Agricultural-based national economy*. During the Ming dynasty (1368-1644), the prevailing commercial exchange, initially developed under the Song (960-1279) and Yuan (1206-1368) dynasties, intensified; however, the fiscal base shifted toward agriculture and the development of the world’s largest national market.¹⁰
- 2) *Absorber of the world’s silver production*. The initially Japanese and later American influx of silver promoted foreign trade through the Sino-centric tributary-trade system and stimulated commercial exchange within the national market. According to Frank (2008: 143), “China’s permanent export surplus (up until the mid-19th century) relied primarily on foreigners paying silver for Chinese imports”.
- 3) *Stateless capitalists*. Under the Ming and, particularly, the Qing dynasty, merchants were a subordinated social class engaged in trade on the margins of the system and unable to impose their class interests on the general interest embodied in the state. Braudel (1984) characterizes this period with a pertinent distinction between market economy and capitalism:

At the base, there are lively and sustained exchanges promoted by a government for which agricultural accomplishments are paramount, but above all, the omnipresent supervision of the state apparatus [...] Thus, there is capitalism only within specific groups, guaranteed and supervised by the state. (Braudel, 1984: 514)

- 4) *Absence of hegemonic succession and expansion in the Sino-centric tributary-trade system*. The absence of military competition and a tendency to avoid forming distant empires, combined with more centralized geopolitical power in China and lower

¹⁰ Key to this was both the retreat into the interior that occurred around 1433, when Zheng He’s commercial expeditions were ended and foreign trade was limited, and the transfer of the capital from Nanjing to northern Beijing, completed around 1450 (Gernet, 1999: 345, 354, 359).

dependence on foreign trade for growth dynamics, contrasted with the capitalist dynamics of the European interstate system.¹¹

The dynamics characteristic of this non-capitalist market economy, originating during the Ming period, experienced significant expansion in the “Chinese miracle of the 18th century” under the Qing dynasty: rapid population growth, the peak of the agricultural economy and peasant welfare, expansion of the textile industry across southern regions, increased production of tea and porcelain for export, and a deepening of commercial networks within the East Asian world-economy.¹²

China’s high productivity from a global perspective was confirmed by its status as a magnet for global silver production and its trade surplus. How did the British Empire weaken China’s competitive advantage and enter its powerful domestic market? The first step was through India. Following the Battle of Plassey (1757) and the plundering of Bengal, Great Britain transformed India’s trade balance, establishing a substantial tribute that disrupted Asia’s commercial dynamics and provided the resources to attempt to integrate the Sino-centric East Asian world-economy into the European world-economy.¹³ Through the opium trade, Britain found a means to destabilize China’s trade balance and silver reserves while centralizing Bengal’s tribute to the metropolis. When the Chinese government implemented protectionist policies to counter the economic drain caused by the opium trade, the British Empire responded with militarism (cloaked in Euro-western rhetoric) in the First Opium War.¹⁴ The Qing dynasty’s defeat marked the beginning of internal social upheavals, Western military hegemony over East Asia, its opening to Western industrial development, and the dissolution of the Sino-centric tributary-trade system into the globalized European capitalist world-economy.¹⁵

¹¹ “There is nothing in East Asia that resembles the succession of increasingly powerful states that is identified with capitalism in Europe, from the Italian city-states, through the proto-national state in the Netherlands, to a national state, Britain, which would eventually become the center of a maritime and territorial empire spanning the entire globe [...] This succession characterizes, more than anything else, the European path of development. And reciprocally, the absence of anything comparable to this sequence is the clearest sign that during the Ming and Qing eras the market-based development of East Asia remained non-capitalist” (Arrighi, 2007: 346).

¹² “China trades with the entire world –Japan, Southeast Asia, Europe and America via Manila– and this trade [...] is beneficial to China. It stimulates agriculture and crafts, and channels silver money there [...] What is most notable about China’s economic expansion in the eighteenth century is the breadth of trade flows and the number of regions controlled by a few merchant corporations” (Gernet, 1999: 425).

¹³ Frank highlights the world-historical significance of the Battle of Plassey: “Military conquests and political power became auxiliaries –even the basis of trade policy. Successively regions and peoples fell under military, political and economic control” (Frank, 1978: 135).

¹⁴ Marx (1988: 940) closed the first book of *Capital* by stating that the “Opium Wars against China” were the newest process of primitive accumulation which had as its objective the use of violence “to promote, as in a greenhouse, the process of transformation of the mode of production”.

¹⁵ “For China, the First Opium War ushered in an era of humiliation. Drug addiction soared; Christian missionaries destabilized traditional Confucian beliefs; and in the chaos of the Taiping Rebellion [...] between 20 and 40 million people lost their lives” (Ferguson, 2009: 321-323).

In 1848, Marx and Engels (2001: 55) did not capture the specific nature of Europe's expansive process when they noted that "low prices of commodities are the heavy artillery with which [the European bourgeoisie] batters down all Chinese walls". Marx did grasp this specificity in 1867, concluding that "organized and concentrated violence" was the fundamental factor for incorporating non-Western peoples into "the production of surplus value as the sole and ultimate aim of humanity" (Marx, 1988: 940-943). The Nanjing (1842) and Bogue (1843) treaties, along with the Taiping Rebellion (1850-1864), combined to weaken the Qing dynasty's external and internal defenses, drastically reducing its capacity to resist foreign aggression and fundamentally altering the power relations among social classes and between these classes and the state (Arrighi & Silver, 2001: 238, 239, 240). While the power of the commercial diaspora increased because of China's integration into the capitalist world-economy, social classes linked to domestic trade, manufacturing, and craftsmanship were significantly weakened by the fiscal pressures tied to reconstruction. Meanwhile, a new provincial military elite redirected the state apparatus toward a Western developmental path.¹⁶

In the Second Opium War (1856-1860), the Franco-British liberal-imperial entente finalized the disintegration of the East Asian world-economy and began China's incorporation into the capitalist world-economy by abolishing its sovereignty over foreign trade and fiscal policy. Furthermore, the new political classes of Qing China and Meiji Japan acknowledged the necessity of emulating the Western developmental path, characterized by militarism, industrialism, and capitalism.¹⁷ In the twenty-five years from the Beijing Convention (1860) to the First Sino-Japanese War (1894), the results of industrialization in China and Japan were similar, though they diverged in fiscal bases, ultimately leading to the decline of the Qing dynasty. While the rulers of Meiji Japan managed to build a strong state based on the new Western model, capable of balancing industrialism and militarism while extracting fiscal resources from agriculture to fund industrialization, the central state gradually weakened in Qing China. Industrialization was left in the hands of provincial rulers who prioritized militarism over industrialization, and a combination of social unrest, rising silver prices, and natural disasters created a crisis that prevented agriculture from becoming the fiscal foundation for reform.¹⁸

The 1870s marked both the consolidation of the liberal-imperial state at the core of the modern world-system and the onset of the decline phase of the British systemic cycle of

¹⁶ "The new men emerging from the struggle against the Taiping are the most open to the problems of modernizing the armies and war industries, and the most willing to make concessions to foreigners" (Gernet, 1999: 491).

¹⁷ The arms race, which had long been a characteristic feature of the European system, was thus "internalized" by the East Asian system" (Arrighi, 2007: 355).

¹⁸ "Until 1894 the level of industrial techniques in China and Japan was more or less the same [...] The internal wars and the foreign threat had encouraged China to devote its essential efforts to an unproductive war industry [...] On the other hand, efforts were better distributed in Japan due to a general policy directed by the Meiji power" (Gernet, 1999: 498).

accumulation. European bourgeoisie responded to the Great Depression of 1873 by hybridizing capitalist and territorial power logics, directing their nation-states toward competing for surplus capital placement in the non-European world (Harvey, 2004: 50). China's military weakness became evident in repeated conflicts with Russia, Great Britain, and France over key territories of the former Sino-centric tributary trade system until defeat in the First Sino-Japanese War "shattered the precarious balance of power on which China's territorial integrity rested" (Arrighi & Silver, 2001: 252).

Following the Treaty of Shimonoseki (1895), the Qing state irreversibly disintegrated. Britain, France, Russia, Germany, and Japan annexed Taiwan, Shandong, Liaodong, and Guangdong territories. War indemnities concentrated enormous wealth in Western powers and Japan. Foreign capital settled in coastal provinces to exploit the devaluation of labor, deepening the divergence between rural and urban areas. By the early 20th century, China had been "peripheralized" by organized and concentrated violence to the extent that it lost its characteristic trade surplus and role as an attractor of globally accepted means of payment. Consequently, it became dependent, first, on imports of means of production and then on basic consumer goods (such as sugar, rice, or flour).¹⁹

The European power balance around Britain was seriously weakened at the start of the 20th century by the industrial-military rise of the U.S. and Germany. Japan, meanwhile, capitalized on British weakness in East Asia to join the imperialist game, securing sources of raw materials, markets, and substantial tribute from China that helped offset its scarcity and relative backwardness *vis-à-vis* other powers.²⁰ Japan's relative success in emulating the Western development path reached its zenith in the 1930s when, through the "Greater East Asia Co-Prosperity Sphere" project, it attempted to re-center the former East Asian world-economy through the convergence of industrialism, militarism, and capitalism. Japan took advantage of the global disconnection caused by the Great Depression of 1929 to advance its imperial project, but when geopolitical competition intensified in the 1940s, the U.S. limited Japan's maneuvering space through asset freezes and an oil embargo, precipitating the attack on Pearl Harbor, the Pacific War, and the catastrophic conclusion of Japan's military-centered re-centering efforts with the atomic bombings of Hiroshima and Nagasaki.

After the atomic annihilation of Japan's militarist project, the periphery of the former Sino-centric tributary trade system transformed into vassal trading states within a new

¹⁹ "Indemnities ruined China from 1900 onwards. The amount imposed by Japan immediately after its victory was already three times the annual income of the state. But the indemnity for the Boxers [...] condemned China definitively to bankruptcy and chaos. These 450 million silver dollars constituted in fact a burden of 982 million if we add the extremely high interest that China had to pay to satisfy its debts. In 1911, China's public debt rose to 200 million silver dollars" (Gernet, 1999: 531).

²⁰ For Kennedy (2006: 335) Japan "had economically performed miracles to become the only non-Western state to undergo an industrial revolution in the era of great imperialism; however, compared to Great Britain, the United States and Germany, it remained a lightweight in industry and finance".

U.S.-centered tributary trade system, underpinned by American military superiority on the side of force and favorable commercial treatment for the periphery on the side of consent.²¹ However, events in China altered Washington's geostrategic forecasts. First, the surprising victory of the People's Liberation Army (PLA) over the corrupt Guomindang regime in the Chinese Civil War led to the founding of the People's Republic. Second, the PLA's intervention in the Korean War dictated the ceasefire terms. Consequently, China was distanced from East Asia's political and commercial exchange until the geopolitical reconfiguration brought about by the military and political defeat of the U.S. in the Vietnam War and the Sino-Soviet split.

"The most crushing defeat in U.S. history" —as Perry Anderson (2014: 86) termed the Vietnam War— led to the collapse of the militarism that had cemented U.S. hegemony in East Asia. The rupture of the Sino-Soviet entente cleared the way for China's reentry, with U.S. consent, as an honored member of the interstate system and a key component of the global economy (Kennedy, 2006: 621-623; Anderson, 2014: 105). Japan benefited from the intensification of global competition brought about by the crisis of overaccumulation in the 1970s, expanding subcontracting networks supported by political exchanges with the U.S. at the top and the Chinese commercial diaspora in the region at the grassroots. However, Japan's success in the 1980s was overshadowed by China's rise in the last two decades of the 20th century, as Japan's multi-layered production network transformed into a Sino-centric network capable of producing along the entire value chain. This shift made the once Middle Kingdom a *semi-peripheral primus inter pares* at the decline of the U.S. systemic cycle of accumulation (Hung, 2010: 15).

While the fall of the USSR was celebrated in the West as the civilizational triumph of global capitalism, China's rise eclipsed all other events in scope and significance, leading Perry Anderson (2010: 55-56) to observe that "from a certain perspective, communism has not only survived but has become the triumphant story of the age". In China's long process of incorporation, peripheralization, and ascent within the capitalist world-economy, the developmental patterns of the non-capitalist market economy did not vanish; rather, they became key elements enabling East Asia's economic *re-centering* in China.

In the following section, we will examine the chronological arc from the dissolution of the USSR to the Great Recession to illustrate how the U.S. attempt at *hegemonic restructuring* led to China's geo-economic ascent.

²¹ "The United States specialized in providing protection and gaining political power regionally and globally, while the vassal states of East Asia specialized in trade and the pursuit of profit" (Arrighi, 2007: 359).

On how the financialization of the dominant power produced a rising power

With the dissolution of the USSR, the stage was set for the grand strategy of the U.S. to revive its project for an international liberal order under its aegis, a project that had been on hold with the geopolitical rise of the USSR and the doctrine of containment (Anderson, 2014: ch. 3). In the 1990s, economic policy took center stage in the U.S. strategy of hegemonic restructuring. On the economic front, the U.S. faced three fundamental challenges. First, competition from Germany and Japan, the main beneficiaries of political exchange with the U.S. war-welfare state, which had allowed them to reap impressive current account surpluses, reflecting their global competitiveness; second, the crises of overaccumulation and profitability that plagued the U.S. national economy in the 1970s (Harvey, 1998). Third, the deterioration of the dollar (USD) as the world's currency, evidenced by budget and current account deficits.²² Politically and militarily, the main challenge was to avoid “Kennedy’s Law”²³ by forming a “geopolitical core of shared responsibility” under U.S. leadership (in Brzezinski’s formulation), capable of reducing the costs of systemic protection and definitively erasing the Vietnam Syndrome.

While the end of the Cold War is often seen as a milestone in the process of U.S. hegemonic restructuring, the foundations of this process had been laid in the 1980s through the *monetarist counter-revolution* and *financialization*. The short-term success of this restructuring process would set the stage for both China’s geo-economic ascent and the centrifugal forces of intensified interstate and inter-firm competition and the emergence of new power configurations on a global scale. The essence of the monetarist counter-revolution was to recentralize the production/regulation of global money and capital flows around the FED-Treasury-Wall Street complex through restrictive monetary policy. Consequently, the Federal Reserve System (FED), through interest rates, became “the general staff of the capitalist system, issuing commands to the independent divisions” of the world-economy in Schumpeter’s terms (1944: 133). Financial deregulation created “for the first time [...] a single world market for money and credit” (Harvey, 1998: 185). Tax cuts and increased public borrowing attracted global capital in search of investment. Flexible exchange rates determined peripheral countries’ position in the added-value hierarchy within the international division of labor. Meanwhile, increased military spending through the Strategic Defense Initiative intensified the dialectic between military conflict within the interstate system and the struggle

²² “The United States, once the world’s largest creditor, has become in less than a decade [...] the world’s largest debtor. The longer this situation continues, the more American assets [...] will be acquired by foreign investors” (Kennedy, 1993: 451).

²³ “Great powers in relative decline instinctively respond by spending more on “security,” thereby diverting potential resources from “investment” and aggravating their long-term dilemma” (Kennedy, 2006: 22).

for capital-seeking investment, following Weber's classic forecast.²⁴ Like Britain a century earlier and the United Provinces two and a half centuries before, the U.S. embraced financial expansion to manage the declining phase of its historical-global hegemony.

At the *fin de siècle* and eighteen years after the Volcker Shock, the consequences of financialization seemed to validate Panitch and Gindin's (2015: 276) assertion that for the U.S., "the defining feature of the period was not decline or moderation but restructuring". From 1983 to 2000, U.S. GDP grew by an average of 3.8 % per year; its share of global GDP, which had fallen from 35.5 % in 1985 to 24.9 % in 1995, closed the century at 30.7 %. Gross capital formation averaged 26.4 % annually (as a percentage of GDP); industrial productivity grew at an average of 3.5 % per hour worked; profitability in the non-financial private sector increased by 15.6 % between 1986 and 1995, while the financial sector in the 1990s reached "the highest percentage of total business profits in post-war history" (Brenner, 2000: 78). Stock market capitalization rose from 39.6 % (as a percentage of GDP) in 1984 to 153.4 % in 2000 (World Bank, n.d.).

Politically and militarily, the Gulf War established the paradigm of the hegemonic power as a "police patrol," a model that would repeat in the Yugoslav Wars and the War on Terror. Thirty-four countries joined the operation; Germany, Japan, and the Gulf Arab States financed it, and the UN Security Council granted its approval.²⁵ For the Clinton administration, the priority was a renewed expansion of the war-welfare state, now also *globalizing*, capable of dismantling the last barriers opposing the world market centered around the FED-Treasury-Wall Street complex (Lake, 1993). Through the "Powell-style financial doctrine," the seventy-two crises of the 1990s allowed the U.S. to benefit from the turbulence generated by its financialization, as the devaluation of constant and variable capital caused by the neoliberal turn created demand for "safe" financial assets easily attracted by Wall Street.²⁶

However, instead of a successful restructuring, the outcomes of the War on Terror and the Great Recession confirmed Arrighi's (2007: 172) thesis that "over the decades, financial expansions tend to destabilize the existing order [...] Economically, they systematically divert purchasing power from demand-creating investment in goods to hoarding and speculation [...] Politically, [they foster] the emergence of new power configurations". From a mid-term perspective, the main result of the monetarist counter-revolution and financial-

²⁴ "The powerful expansion through war and the corresponding armaments create abundant motives for the application of credit in large proportions and increase the probability of profit for the capitalist creditors of the State" (Weber, 1964: 765).

²⁵ "The Security Council approved the Iraq expedition without problems, with Russia voting in favour, China abstaining and the U.S. tipping the Third World states for their services. The end of the Cold War had changed everything. It was as if Roosevelt's vision of the world as a patrol, as a police force of neutral nations, had been imposed" (Anderson, 2014: 122-123).

²⁶ Furthermore, the North American Free Trade Agreement (NAFTA), the World Trade Organization (WTO), and the Washington Consensus sent a powerful message to welfare states in the global North and developmental states in the South that protectionism would not be tolerated by the restructured informal empire.

ization was to spur China's geo-economic ascent. Within the U.S. national economy, what Brenner (2000: 78) called "broad and brutal processes of rationalization and reconversion" were carried out to improve productivity. Globally, a process of spatial-temporal resolution and relocation unfolded, from which the Chinese developmental state emerged as the major beneficiary, Japan as the principal casualty, and East Asia's political economy transformed from Japan-centered multi-layered production networks to a Sino-centric network, also driven by consumption from the Global North.

The Plaza Accord (1985), in which the U.S. pressured for a reevaluation of the yen (JPY), demonstrated Japan's inability to translate its geo-economic ascent into geopolitical power, thereby shifting the direction of world politics. The exchange rate moved from 238.54 JPY/USD in 1985 to 94.06 in 1994. Japanese exports decreased from 13.89 % to 8.27 % of GDP during the same period. Stock market capitalization, boosted by an expansive monetary policy, rose from 48.88 % of GDP in 1984 to 139.46 % in 1989, while the Nikkei 225 index surged from 9 977.54 points in February 1984 to 38 642.24 in December 1989, only to plummet to 15 452.82 points by July 1992. Consequently, the Japanese economy entered a period of secular stagnation, with GDP growth averaging 1.5 % and 0.4 % in the 1990s and 2000s, respectively, compared to 4.33 % in the 1980s (World Bank, n.d.).

Japan's primary competitive innovation introduced into the global political economy was the organization of subcontracting networks with execution flexibility, which expanded across East Asia with the help of the Chinese diaspora (Coriat, 1992; Yergin & Stanislaw, 1999: 287). The spatial-temporal solution carried out by the monetarist counter-revolution intensified this process, but the breakdown of the U.S.-Japan political exchange limited Japan's ability to direct it. When Deng (1993: 364-377) decided to double down on Reform and Opening following his Southern Tour in 1992, excess capital in search of investment found in China a semi-peripheral developmental state with abundant resources, a healthy, skilled, and disciplined labor force, and a long tradition of labor-intensive, capital- and energy-saving production. Within two decades, these competitive advantages reshaped the international division of labor, driving a commodities boom in the periphery, restructuring East Asia's value chain, and fostering a Sino-American symbiosis.²⁷

²⁷ Foreign Direct Investment (FDI) in China rose from an average of 0.6 % (of GDP) in the 1980s to 4.1 % and 3.7 % in the 1990s and 2000s, respectively (World Bank, n.d.). Latin American and Caribbean exports to China rose from 1.1 % of the total in 2000 to 7.1 % in 2009, and imports from 1.8 % to 11.8 % of the total in the same period (Rosales and Kuwayama, 2012: 71). Exports to China (as a percentage of total exports) from Japan, South Korea, Taiwan, Hong Kong and Singapore increased from 5 %, 7 %, 0.3 %, 33.3 % and 2.3 % in 1995 to 13.5 %, 21.8 %, 22 %, 45 % and 9.5 % in 2005, respectively (Hung Ho-Fung, 2010: 9). In 1992, imports to the U.S. from China were \$25,727.5 billion (M) and the trade deficit was -18,309 billion; by 2001, imports had grown to \$102,278.4 billion and the trade deficit to -83,096.1 billion. In 2011, imports were \$399,371.2 billion and the deficit was -295,249.7 billion (see United States Census Bureau, n.d.). Finally, Treasury securities held by China grew from \$63.7 billion in January 2001 to \$1.31 trillion in January 2011 (see U.S. Department of the Treasury, n.d.).

Just as the Korean War disrupted the Roosevelt administration's international New Deal project, turning it into the containment project of Truman's administration and its division into three worlds, the September 11 attacks transformed the U.S. hegemonic restructuring project from global market expansion and consolidated global governance under the Clinton administration into a new imperial agenda known as the Project for a New American Century. Once Al Qaeda's hijacked planes struck the World Trade Center in New York, globalization and multilateralism fell into disrepute in the U.S., while Empire, just war, and unilateralism were no longer anathema.

However, from a world-historical perspective, the truth-event of the early century was China's entry into the WTO, as it became the key to a structural modification of the world market, transforming the PRC into a semi-peripheral great power. At the same time, the neo-conservatives stalled in their plan to reconfigure the political geography of West Asia and control the global flow of oil (Harvey, 2004: 32-35). Thus, the sequence of events beginning with the "dot-com bubble" burst, ending the "irrational exuberance" (in Greenspan's words) and extending through the September 11 attacks and the start of the "war on terror" reaches its structural climax with China's WTO accession. From a retrospective view, this defined what Wallerstein (2005: 32) classifies as the oldest feature of hegemonic powers: "The dominant power concentrates on the military; the successor candidate focuses on the economy".

The metamorphosis of the Imperial State—from consent to force, from economic dominance to military control, from hegemony to domination—carried out by the neo-conservatives could not overcome the Vietnam syndrome. "Operation Enduring Freedom" in Afghanistan and "Operation New Dawn" in Iraq leveraged the Revolution in Military Affairs to achieve swift "victories". Nonetheless, credibility, diplomatic support, military coalitions, and national and international consensus waned as resistance turned into civil war. Paraphrasing Madeleine Albright's ironic comment on the "Powell Doctrine," Andrew Bacevich (2004: 126) remarked: "What is the point of deploying this great army if the result is Fallujah, Najaf, and Karbala?" Economically, though the war on terror did not entail a drastic increase in military spending, it did lead to a deterioration of the USD's value, an increase in the current account deficit, and heightened public debt. Consequently, the war on terror resulted in the PRC, with a per capita GDP of USD 2 693 in 2007, becoming the main creditor of the U.S., whose per capita GDP was USD 47 975. In its attempt to reduce U.S. energy dependency, the Project for a New American Century only succeeded in creating a grave dependency on financing from Asia.

Through the lens of political immediacy, China's integration into the WTO appeared to represent the zenith of U.S. hegemonic restructuring. However, from a medium-term perspective, it resulted in a drastic mutation of the world economy's structure that would gain prominence after the creative destruction unleashed by the *subprime* mortgage bubble burst, which defined the specific difference of the Sino-U.S. hegemonic rivalry: symbiosis. From

the demand perspective, China's export-oriented industrialization relied both on global North consumption in general and particularly on the U.S., as well as on the constraint of domestic consumption. From the supply perspective, cheap imports from China helped lower both U.S. inflation and borrowing costs. Subsequently, China's trade surpluses were channeled into U.S. Treasury securities, fueling the twin deficit, debt-consumption dialectic, and relatively low interest rates in the U.S.²⁸ As a result, the Great Recession caused the tacit pact between Sino-American elites regarding an interdependent international division of labor to turn into geostrategic competition, sparking protectionist reactions in Washington and free-trade policies in Beijing.

The following section will examine the effects on interstate competition and the new power configurations triggered by the Great Recession, with China's geopolitical rise as the guiding thread.

The Great Recession and the geopolitical rise of China

The center of our argument is that the monetarist counter-revolution and financialization drastically reoriented global capital flows, transforming the role of the U.S. hegemonic power from a principal capital provider and investor to a leading debtor and global liquidity attractor. In the medium term, China became the primary beneficiary of the financial path embraced by the U.S. hegemon. The inflow of foreign capital, mainly from Asia, fueled the increase in wealth, power, and well-being in the United States, becoming the open secret behind the so-called "Great Moderation".²⁹ However, the condition of possibility—and simultaneously the consequence—of the financialization of the hegemonic power were the self-reinforcing debt cycles that emerged over three decades in the periphery and semi-periphery (Wallerstein, 2005: 57-58). The subprime mortgage crisis revealed how the sophisticated levels of "innovation," leverage/indebtedness, integration, and volatility of high finance, coupled with deep imbalances between investment, consumption, and savings in the international division of labor, led to a "core meltdown" of the capitalist world-economy, whose immediate consequences were:

Out of the 104 countries for which the World Trade Organization collects data, all reported a drop in imports and exports between the second half of 2008 and the first half of 2009. Without

²⁸ According to Hung (2010: 10) "China has become the main architect of American economic vitality in recent years".

²⁹ "Chinese imports kept us inflation in check, Chinese savings kept interest rates in check [...] Chinese labor kept wage costs in check [...] It was extraordinarily cheap to borrow money and extraordinarily profitable to run a business" (Ferguson, 2009: 357).

exception, every country and every type of traded product recorded a decline [...] Of the sixty countries that provide quarterly GDP statistics to the IMF, fifty-two recorded a contraction in the second quarter of 2009. Never before, since records began, has there been a synchronized recession on such a large scale [...] reasonable estimates range between 27 million and about 40 million unemployed worldwide [...] Before the crisis began, global capital inflows and outflows amounted to just under 33 % of global GDP [...] at the height of the crisis, between the last quarter of 2008 and the first half of 2009, these flows decreased by 90 %, to less than 3 % of global GDP. In the second half of 2008, capital flows between wealthy countries fell from 17 trillion dollars to just over 1.5 trillion. No other aggregate in the global economy was affected on such a scale or with such abruptness. (Tooze, 2019: 179-182)

Would the response by the U.S. and China to the freeze/collapse of the Euro-Western financial world have any impact on the future of the Sino-American symbiosis? Undoubtedly. The Great Recession became as pivotal an event for the Sino-American hegemonic rivalry as the Great Depression was for the decline of British hegemony. The Great Recession exposed deep external vulnerabilities in the growth dynamics of both powers, highlighting the need to build strategic routes that would break with the symbiosis of the 1979-2008 period. Furthermore, the Great Recession triggered a metamorphosis in the state-market-society dialectic, shaping the future expansive strategies of the great powers within the axial division of labor and the modern interstate system.

In the U.S., the actions of representatives of the FED-Treasury-Wall Street complex—namely Bernanke, Paulson, and Geithner—proved Braudel's maxim that "capitalism is conjunctural [...] The State is either favorable or hostile to the world of money depending on its own equilibrium and its own resilience" (Braudel, 1985: 68-73). When in August 2007 BNP Paribas suspended payments and the Bank of England bailed out Northern Rock a month later, triggering the Euro-Western loan market freeze, the Bush Jr. administration dialed down the rhetoric about financial self-regulation and market wisdom that it had initially championed. Immediately, the FED acted as the global lender of last resort, mainly by exchanging toxic bank assets and currency *swaps* with Central Banks to ensure global liquidity. Additionally, the Treasury acted as the chief intermediary in acquisitions/rescues between private financial institutions.³⁰ By March 2008, with the collapse of Bear Stearns and the U.S. Dollar Index (USDX) at its historical low (70.698 points), the capital conjuncture did not seem conducive to the *laissez-faire, laissez-passer* spirit that had been promoted for four decades.

³⁰ "In the early stages of the crisis, the FED had sterilized the money supply: it did not increase the money supply [...] a measure aimed at stabilizing the banks rather than stimulating the economy" (Panitch & Gindin, 2015: 479).

In June, the crisis took on a geopolitical dimension when government-sponsored enterprises Fannie Mae and Freddie Mac collapsed, with their debt holdings by Central Banks amounting to \$925 billion, of which \$422 billion were held by China, 10 % of China's GDP at that time. The \$5 trillion balance of both enterprises was effectively nationalized.³¹ The bailout led Gao Xiqing —then president of the China Investment Corporation— to remark, “we look at the United States and see ‘socialism with American characteristics’” (Fallows, 2008). The collapse of Euro-Western high finance produced a temporary return to the quintessence of Pax Americana: the harmony between the health of global capitalism and U.S. interests.

However, it took the turning point marked by the supervised bankruptcy of Lehman Brothers to grasp the extent of the hegemonic power's Faustian pact with financialization. The Lehman shock immediately forced the FED-Treasury-Wall Street complex to manage the bankruptcy/bailout of AIG with \$85 billion. On August 15, 2008, the role of chief intermediary was exhausted, and the Imperial State assumed the role of global *market maker of last resort*. The “final solution” was an unprecedented display of state socialism for capitalists: the Troubled Asset Relief Program allocated \$700 billion for the purchase (particularly) of mortgage-backed securities and \$125 billion for bank recapitalization.³² Subsequently, the Obama administration's American Recovery and Reinvestment Act provided \$820 billion for tax cuts (\$212 billion), social assistance, and unemployment subsidies (\$296 billion).

The key question for global politics was to what extent these events would undermine the USD's prerogative. The dangerous exposure of European banks to toxic U.S. assets immediately turned the Great Recession into a sui generis global liquidity crisis. However, the FED's tenacity in maintaining and promoting liquidity in the global economy, rather than undermining the role of the USD as the world's currency, strengthened it.³³ What economic policy made this possible? Washington implemented Quantitative Easing (QE), a policy Japan had used for two decades, employing zero or negative interest rates and FED purchases of Treasury bonds, especially mortgage-backed securities (Anderson, 2020: 80). This mega-expansive monetary policy was supported by all major powers, particularly China, given its sovereign portfolio's exposure to a collapse in the securities market. Thus, QE became the fundamental tool of the FED as the Central Bank of the capitalist world-economy, attracting capital-seeking investment into the FED-Treasury-Wall Street complex. The FED's ability to act as a lender of last resort and a market maker of last resort relied on the capacity of the

³¹ “It was a nationalization in all but name [...] The crucial object of this intervention was to convince bondholders, especially foreign ones, that Fannie Mae and Freddie Mac were not going to fail” (Tooze, 2019: 195).

³² “The result of the Treasury's “sovereign” intervention was the granting of a massive subsidy to the banks, which increased the value of their businesses by perhaps as much as \$131 billion” (Tooze, 2019: 220).

³³ “What happened in the autumn of 2008 was not a relativization of the dollar, but quite the opposite: a spectacular reaffirmation of the crucial role of the US central bank. The global dollar, far from disappearing, took on a new global dimension thanks to the FED's response” (Tooze, 2019: 241).

U.S. economy to be the global *economy's consumer of last resort*. In essence, the FED's actions during the Great Recession may have granted the U.S. the dominance over the global economy that Fallujah, Najaf, Karbala, or Kabul denied it.

In Beijing, the dialectic between the State and capitalism led to a response to the Great Recession aimed at reducing the imbalances caused by Export-Oriented Industrialization. While the U.S. confronted the crisis with a mega-expansive monetary policy, China opted for a mega-expansive fiscal policy, implementing a stimulus package equivalent to RMB 586 billion (around USD 586 billion), combined with a loose monetary policy. More critically, Beijing's key decision during the Great Recession was made in 2007, when it chose not to divest its USD 922 billion holdings in U.S. securities, thereby supporting the value and global prerogative of the USD. Following the rescue of Fannie Mae and Freddie Mac, the next turbulence facing the Chinese economy was a reduction in exports from 35.5 % of GDP in 2007 to 24.7 % in 2009. Zhongnanhai's decision to dramatically increase levels of fixed capital investment and social security was based on the premise that, although exports had played a leading role in China's growth following its entry into the WTO, gross capital formation remained the internal driver of the national economy, averaging 16.2 % of annual growth during the 2000s, while household consumption averaged 9.51 %. This suggests that, despite achieving significant outward orientation after joining the WTO, the Chinese economy remained self-centered, propelled primarily by investment.³⁴

Writing amidst the storm of the Great Recession, Hung (2010: 23) focused on China's dependence on the global constellation: "The PRC's strategy of lending to the United States to facilitate the purchase of its exports only deepened its dependency, as well as that of its suppliers, on American consumers and the U.S. bond market". For Hung, this strategy "would allow Washington to gain precious time to secure its dominance over emerging sectors of the global economy through public investment in green technology and other innovations [...] thus reconstructing its weakened supremacy into a green hegemony" (Hung, 2010: 24). In the decade following the outbreak of the Great Recession, China's share of global GDP rose from 5.95 % (2008) to 14.09 % (2018), displacing Japan from the second spot. During the same period, Chinese exports grew from 7.75 % of the global total to 10.75 %, climbing from third to first place in the global ranking. Similarly, imports rose from 6.07 % to 10.58 % of the global total, overtaking Germany in the second position. In the global ranking of Research and Development (R&D) expenditures, China advanced from 23rd place, with a spending of 1.45 % of its GDP in 2008, to 13th place with 2.19 %. High-tech exports also increased from 29.3 % of total manufacturing exports to 31.4 %. Health expenditures went up from 3.88 % of GDP to 5.35 %. Even more crucially, China's capital investment grew from 62.5 % of U.S. capital investment in 2008 to 140.3 % by 2018, while Chinese house-

³⁴ On the distinction between self-centered and extraverted accumulation see Amin (1974).

hold consumption increased from 16.25 % of u.s. household consumption to 38.5 % in the same period (World Bank, n.d.).

Such geo-economic ascent not only generated pressure due to its geopolitical implications for China itself, considering the Japanese experience, but also instilled deep concern in Washington (Gerig, 2021). Contrary to Hung's view, China's strategy of gaining valuable time to foster a transformation of its development trajectory—from an apparent outward orientation to a more self-centered path, albeit at the cost of becoming the creditor to the financialized hegemonic power—proved successful. Rather than losing economic independence for itself and its East Asian partners, China gained the necessary autonomy to leap in the international division of labor from the world's manufacturing workshop to a major semi-peripheral power, poised to dominate key industries and technologies in the next great technological revolution and to contest a future "green" global hegemony. Paraphrasing Thucydides, China's geo-economic rise fueled the u.s.'s anxiety, compelling the Asian power to avoid the "Japanese trap" and pursue geopolitical ascension.

The Obama administration's 2011 pivot to Asia represented not only a drastic shift in the u.s.'s grand strategy from celebrating the rise of a peaceful China committed to Washington-led global governance institutions but also an acknowledgment that the outcome of the war on terror was the rise of a China with economic vitality unimaginable in the former Soviet adversary. As Perry Anderson (2014: 154) noted, "The purpose of this pivot is clear: to create a ring of u.s. military allies and dependencies to encircle the People's Republic of China and, specifically, to safeguard maritime hegemony in the Pacific, extending to the East China Sea and beyond". The grand strategy of containment was back, only this time the Chinese adversary eclipsed the former Soviet challenger.

What is the provisional assessment of this tectonic shift between the two great powers? The pivot to Asia initially consisted of a diplomatic, commercial, and military strategy. However, following the u.s. withdrawal from the Trans-Pacific Partnership (TPP), Washington's diplomatic agreements in the region are irretrievably shaped by the logic of politico-commercial-military exchange. In contrast, China has focused on the economic realm, countering the u.s. pivot with the Belt and Road Initiative (BRI), the Asian Infrastructure Investment Bank (AIIB), and the Regional Comprehensive Economic Partnership (RCEP), which brings together nearly 30 % of global GDP in a single trade agreement. In response, after the Trump administration's techno-commercial emphasis on the Sino-American rivalry, the Biden administration has refocused on the military domain in the Indo-Pacific through the AUKUS strategic pact, subsequently extending its focus to the industrial sector.

In conclusion: Max Weber in the West and Giovanni Arrighi in the East

Our analysis's objective has been to interpret the differences in the Sino-American hegemonic rivalry for dominance over the modern world-system, considering the historically global specificity of China's incorporation into the capitalist world-economy. Our central thesis is that the historical dynamics of wealth and power accumulation in East Asia diverge from those of the modern European interstate system that became globalized. Therefore, unlike the simplifications often found in grand strategy literature, China cannot be assimilated into the analytical mold of other European states that aspired to hegemony. After examining, with a theoretical perspective in sections 2 and 3, the potential outcomes of the crisis of U.S. hegemony and the expansive matrix of European Great Powers, and with an empirical perspective in sections 4, 5, and 6 on China's incorporation into the European state system, we will return to a theoretical lens to provide a succinct answer to the crucial question: Is China destined to replicate the behavior of other states that sought hegemony?

It is striking how the debate on the specificity of historical capitalism as a social formation has overlooked the significant role of geographic difference and global politics in reproducing the capitalist mode of accumulation. Contrary to "Ricardian-Marxism" —with its focus on the private ownership of the means of production as the definitive element in defining the capitalist mode of production— Arrighi (2007) put forth the provocative thesis that:

It is this succession of endless centers of capital and power accumulation, more than anything else, that defines the European path of development as 'capitalist'; conversely, the absence of anything comparable in East Asia can be understood as the clearest sign that, before the Great Divergence, East Asia's path of development was as market-oriented as Europe's but did not bear a capitalist dynamic. (Arrighi, 2007: 100-101)

Even more compelling is how this geopolitical conception of capitalism, as articulated by Arrighi, aligns more closely with the views of Max Weber than with classical Marxist theorists of imperialism. Writing at the dawn of the thirty-year war that would determine the hegemony of the modern world-system among the U.S., Germany, or Great Britain, Weber argued that the drive for profit was at the core of (what we term in this paper) territorialism, militarism, and Euro-Westernism:

The profit opportunities in the 'political' exterior, especially in newly 'opened' territories from both political and economic perspectives [...] are currently increasing with 'armament contracts', railway concessions, the establishment of monopolies in taxation, trade, and industry, and the issuance of government loans. The predominance of such profit opportunities is increasing at the expense of gains that can be obtained through ordinary private exchange [...] And in parallel,

there develops a tendency towards economic expansion supported politically and competition among different political communities. (Weber, 1964: 676)

Substitute “5G networks” for “railway concessions”. Think of the military-industrial complex where “armament contracts” are mentioned. Consider which monopolies in the history of capitalism have matched the power of the FAANG companies.³⁵ Recall the advantages conferred by the USD’s prerogative in U.S. indebtedness. Behind Weber’s detailed perspective lies the expansive tendency as intrinsic to the pursuit of profit and the accumulation of wealth and power, with the U.S. as the latest core of Western succession. However, Weber explains that this tendency is subordinated to another that uses pacifism as a means and aspires to “commercial freedom,” indicating that we are not dealing with a historical destiny:

Due to the general reasons of the ‘dynamics of power,’ great powers are expansive-type formations, meaning they aim to expand the scope covered by their political community through force or the threat of force. However, this does not always and necessarily happen [...] Political forms can be directed outwardly in a more ‘autonomous’ or more ‘expansive’ manner, and this situation can undergo various transformations. (Weber, 1964: 670-669)

The Sino-American rivalry thus becomes the archetypal form of a great expansive power confronted by a great autonomous power, of a great power-seeking profit through military means versus a pacifist great power focusing on commercial advantage, of a maritime great power aiming to contain a primarily land-based power. However, the situation could change: China, whose global status is tarnished, may react violently to any blockade of its peaceful rise.

The specificity of China’s social formation is a matter of deep controversy in political and intellectual circles in both the West and the East. In our view, China can decisively contribute to the emergence of a community of civilizations genuinely respectful of cultural differences, as Arrighi foresaw. However, to achieve this, it must provide a radically different response, in favor of the Global South, to the polarized structure of wealth and power that characterized historical capitalism. A global market society centered on East Asia is only possible through a radical break and transformation of the power relations that marked the succession of Euro-Western hegemonic centers.

“Socialism with Chinese characteristics,” especially during the first phase of Reform and Opening (1978-1992), signified a reunion of the People’s Republic of China with non-capitalist market traditions. The second phase of Reform and Opening (1992-2005), on the other hand, involved an intensification of the convergence of communist China towards the West-

³⁵ Facebook, Amazon, Apple, Netflix, Google.

ern and East Asian developmental pathways that had been hybridizing in East Asia since the First Opium War and particularly since the Korean War. China's success lay in establishing the foundations of a developmental state during the 1949-1976 period, subsequently becoming a significant semi-peripheral power capable of leveraging the global consequences of the monetarist counter-revolution and financialization. Communism adapted to the specificities of the former Middle Kingdom served the leaders of the Chinese Communist Party (CCP), first, to transform a stagnating and disintegrated social structure into an egalitarian society, and second, to redirect China's millennia-old market application towards national prosperity. If the paradox of the early 21st century was that communism did not die but instead became the 'triumphant narrative of the era,' as Anderson (2010: 55) noted, the enigma of the 21st century is whether the modernization process embodied in the People's Republic of China can resolve the question of market socialism, the hybridization of the development paths of the East and the West, and the polarization of global wealth and power, without succumbing to organized and concentrated violence.

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