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Abstract: Western leaders and orthodox analyses portray the global financial crisis as being the result of exceptional "greed and excessive "risk-taking by irresponsible capitalists in the United States of America, the worlds leading capitalist economy. The paper challenges this view by utilising a class method of analysis and political economy approach. We argue the crisis derives from the international capitalist system and from contradictions in the processes of capital accumulation and class conflict globally. This paper examines the role of U.S. led finance in shaping global structures of production based on the exploitation of wage-labour for profit. The crisis has enormous implications for the U.S. as a global power, not only for the stability of the international system, but for power shifts and rivalries as well as militancy and armed groups.

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The Global Financial Crisis: System Failure, Great Power Rivalry and Prospects for Structural Change

Financial Meltdown in the Heartland of Capital

Unlike the previous economic crises of the past two decades which have occurred in Asia, Russia, Mexico and Argentina, the present crisis of capital occurred at the centre of the globalized economy: the United States of America. The financial crisis gripping the American heartland may indicate both the end of a global neo-liberal hegemony and the beginning of the end of the United States as the world's dominant imperial power. The current financial crisis has structural origins, and it cannot be limited to massive bad loans, burst speculative bubbles or the virtual collapse of key banking and investment institutions in the United States and Europe (Bellamy Foster and Magdoff 2009; Petras 2007; Chakravarty 2008).

The United States and the Global Financial Crisis

The present financial crisis has American origins, but its repercussions have been, and continue to be, registered across the globe. The principal cause of the global economic crisis is seen by many commentators to be the collapse of the speculative real estate market within the United States. The faltering of the American corporations, Fannie Mae and Freddie Mac, highlighted the problems of a real estate sector that had continued to expand through the marketing of sub-prime mortgages. The availability of sub-prime mortgages had enabled America's working poor to enter the housing market, but many of these financial arrangements were precarious. The collapse of the American real estate bubble instigated a crisis of confidence that saw huge losses occur on Wall Street. A number of America's major corporations experienced problems of liquidity as a result and were in danger of folding. The United States government responded to the crisis by delivering gargantuan bailouts to these virtually bankrupt institutions, including Goldman Sachs, JP Morgan, General Motors, Chase, Morgan Stanley, Bear Stearns, Lehman Brothers, Merrill Lynch, and American International Group (AIG). Although there has been mammoth government expenditure to prop up these failing corporations, the United States' economy remains in a state of volatility (Gowan 2009; Sloan 2008; Cassidy 2008; Hagerty and Simon 2008). The rate of unemployment has continued to increase. According to data released by the United States Department of Labor, the official unemployment rate stands at 9.4 per cent. This amounts to 14.5 million unemployed workers in the United States. If the numbers of under-employed workers were included, as well as those who want a job but have given up trying, the unemployment rate in America would be closer to 16.4 per cent (Bureau of Labor Statistics 5 June 2009). The global financial crisis shows no definite signs of abating, despite the predictions that it can be contained, or that its duration will be brief, or, miraculously, that the market, free of state intervention, will correct itself. It may yet lead to protracted economic stagnation and a world-wide depression as other emerging global crises in food, energy and the environment unfold.

The course and ultimate outcome of the present global financial crisis cannot be known at this juncture. Nevertheless, the current financial crisis has served to highlight a number of issues regarding the capitalist economic system in general, and key policies, practices and trends that have been crucial to the American economy in particular. The last major failure of the system of capitalism was the Great Depression of the 1930s. The ramifications of the Great Depression were enormous, as that economic calamity was the harbinger of international fascism and a war of empire. While the Great Depression was epochal, and the present financial crisis is of far greater significance than the collapse of the Asian Tiger economies in 1996, for example, these events are usually viewed as anomalies. Rather than aberrations, such crises are both unavoidable and essential to the functioning of capitalism. Perpetual economic growth and expansion of markets cannot be sustained, and downturns, recessions and depressions are inevitable components of capitalism. For capitalism to remain resilient, it requires the elimination of over-accumulation so that the system can run its course anew. Such a process creates a fundamental contradiction whereby it paves the way for more extensive and destructive crises at the same time as it diminishes the means by which crises are prevented. In spite of suggestions to the contrary, the present financial crisis has not precipitated the beginning of the demise of capitalism globally (Harvey 2003; Sen 2009).

The extent of the current global financial crisis can be understood through an analysis of the trajectory of the growth of international capitalism in recent decades. A fundamentally important feature of the past two decades has been the way in which the world capitalist economy has become integrated at the level of trade and production. The process of globalization has enabled corporations to become 'trans-national', while in the realm of global finance, banks now operate across national borders and are tightly interlinked through chains of borrowing and lending. This wave of globalization has encompassed direct production and financial investments, and has spurred the expansion of outsourcing and contracting. Globalization has deepened the degree to which export-producing Third World countries are involved in the world capitalist market, as well as reinforcing the role of Third World nations in manufacturing and the provision of cheap labour (Petras and Veltmeyer 2001; Khanna 2008; Chossudovsky 2003).

Global economic growth has been made possible through intensified financialization. The United States and other advanced capitalist countries have virtually shed their manufacturing sectors as production has steadily been exported to the Third World. The establishment of free-trade agreements between nations, and the creation of free-trade zones within Third World countries, has accelerated this transition. At the same time, these developments have driven a boom in the financial services sector within the United States and other wealthy nations. Global financial assets increased from $12 trillion in 1980 to $200 trillion in 2007, far outstripping the growth in world output or expansion in trade. Economic growth in advanced capitalist countries is increasingly finance-led and credit-driven (Bellamy Foster and Magdoff 2009, 77-110; Phillips 2008; Rude 2004, 86-110).

This expansion of the financial services sector was buttressed by the drive for economic security and certainty within the context of an increasingly integrated global economy. Some sectors of capital sought a degree of risk management through investment banks and other types of financial institutions in order to ‘hedge’ against interest rate variations, currency fluctuations and other sources of volatility and loss. Finance capital, too, became a source of short term speculative profit making. With the greater integration of the global economy, the flows of investment capital across international borders have been massive. From the 1980s onward, the advent of computerised technologies has enabled the mobility of capital to reach unprecedented levels. The exceptional mobility of capital in recent decades in part explains the extent of the current global economic crisis. The internationalisation of trade and the improvement in communications and computer technology has meant that a downturn on Wall Street can almost instantaneously be registered across the globe. While the integration of the world economy has generated gains, particularly in the burgeoning finance sector, when a crisis or recession takes place, the interconnectedness of the economy means that susceptibility has been broadened and the crisis will be harder to contain. For investment banks and financial institutions, mediating financial risk is made more difficult as a result of the integration of the global economy (Millberg 2008, 420-451; Dumenil and Levy 2004, 98-142).

The United States has been the nerve-centre of the trend toward heightened financialization. In 2007, manufacturing made up just 10 per cent of the United States' Gross Domestic Product (a measure of the production of goods and services), while finance, insurance and real estate had expanded to comprise 25 per cent of GDP. The growth of America's financial services sector was reflected, too, in changes to the proportion of profit generated by that segment of the domestic economy. In 1982, the financial sector accounted for five per cent of total corporate profits in the United States. By 2007, the share of total corporate profits in America contributed by the financial sector had mushroomed to almost 45 per cent. As much manufacturing has been moved offshore, more than 40 per cent of United States' imports are now made overseas by American corporations. Thirty per cent of United States' corporate profits are generated through the production of goods and services abroad. The relationship between the United States and China has been central to this development. In a broad sense, China has become the highly profitable sweatshop of international capitalism. China's role as the hub of manufacturing and production has permitted the vast enlargement of the American financial sector; the profits of many American-owned corporations have been made possible via cheap Chinese labour and low production costs (Hart-Lansberg and Burkett 2007, 3-79; Zile 2007, 83-107; Chan 2003, 33-57; Hung 2008, 149-170).

Through the processes of globalization and financialization, severe imbalances have developed between the reality of the limitations of the global economy, and the expectation of future profits, ongoing accumulation of capital and continuous economic growth. The current global financial crisis may yet prove to be a symptom of a global economic system that is unsustainable. In the present crisis, the trajectory of expansion and the intensive integration of the world economy have, for the United States, transformed what were once viewed as strengths into critical vulnerabilities. The dynamics which accelerated growth have also generated new barriers to the generation and accumulation of capital: the United States has virtually abandoned the traditional means of gaining profits through manufacturing and other forms of production in favour of the speculative financial services sector. Within the United States presently, the financial sector is a bloated deadweight on the productive base (Galbraith 2008; Bellamy Foster and Magdoff 2009, 111-140).

While the financial services sector has experienced massive growth, the United States has also seen its corporate debt expand markedly. In addition to this debt within the private sector, United States government deficits are substantial. Indeed, the American government is now reliant upon the massive and uninterrupted inflows of overseas capital that have become a feature of contemporary globalization. The central banks of both China and Japan hold huge amounts United States' Treasury debt. China holds $1.8 trillion in foreign exchange reserves, which are also used as a means of international payments. Foreign exchange reserves come from export earnings as well as investment earnings. The United States imports more goods from China than from any other country. China has surpassed Japan as the world's largest holder of foreign exchange reserves. Most of these reserves are currently kept in dollars invested in US treasury securities, US government agency debt and other financial instruments. Spurred by its production of exports for the American economy, China consumes approximately 20-25 per cent of the global supply of iron, steel, aluminium and copper, and accounts for one-third of the world's demand for oil (Lotta 2008a).

There are billions of dollars of paper assets in the United States and throughout world capitalism which cannot be transferred into real productive material assets. American consumption and borrowing, which had intensified China's frantic manufacturing growth, also created enormous trade deficits for the United States and fuelled mounting competitive pressures throughout the world economy. Financial institutions attempted to reduce risk and profit from risk by dispersing more varied financial instruments over a broader field of investors internationally. However, the globalization of production, markets and economies has created the conditions for a faster and more extensive rippling effect of capital's crisis throughout the world (Vasadevan 2008, 12-22; Glyn 2006).

In the aftermath of the Great Depression of the 1930s, regulations had been put in place in the United States in an attempt to avert a similar crisis in the future. As neo-liberalism became progressively more popular from the 1980s, many of these regulatory structures were dismantled in order to permit the free market to operate unrestrained.

The process of deregulation commenced during the presidency of Ronald Reagan, accelerated in the years of Bill Clinton's presidency, and was continued into the twenty-first century. This legacy of deregulation meant that the American economy functioned with very little supervision. It was only during the present financial crisis, for instance, that the so-called 'toxic assets' of major American corporations were revealed. Similarly, the extent of America's reliance on credit within the real estate sector and beyond has been exposed by the global economic crisis (Lotta 2008b).

Although the totally unregulated practices of Wall Street's financial institutions precipitated a monumental collapse of credit, the raising of loans and corporate bankruptcies, these problems could not be contained. Money capital was entirely separated from productive capital. Speculation in the sub-prime mortgage market and derivatives became the driving force of economic adventurism. Because US-led finance has a dominant role in shaping the global capitalist order, the repercussions of the financial collapse on Wall Street were international in dimension. The ferocity, speed and spread of the Wall Street crisis prefigured a systemic failure of capital. Unlike previous debt and financial crises of the past quarter century, this crisis exploded in the US, the world's leading capitalist economy and to date remains focused on major bank failures in Western Europe whose governments are engineering separate bailouts. The Russian stockmarket intermittently suspended operations and Asian financial markets collapsed. The present deepening financial crisis will have unpredictable repercussions on the world capitalist system and the power shifts and rivalries within it. The crisis is the outcome of the fundamental workings of the globalised economic system (Bello 2009; Gowan 2009).

The International Economic and Political Consequences of the Global Financial Crisis

A major strategic concern for United States' corporate capital is the international strength of the US dollar. It is the world's leading currency for settling transactions, clearing debts and holding foreign exchange reserves. It is an investible commodity. The dollar is the linchpin of American supremacy in the current global order. If foreign central banks and investors abandoned their dollar holdings there exists the possibility of a global monetary crisis, in which rival currencies, such as the Euro of Western Europe, and rival powers of the United States could be strengthened. So far the US dollar has held firm. But this period of calm may only prove to be a lull in the crisis of international capital. At present the United States has limited manoeuvrability. It remains the largest debtor nation. Its wars for empire in Iraq and Afghanistan (and Pakistan?) have been costly and indecisive. Moreover, United States' military dominance globally is strategically necessary. According to Kenneth Rogoff, the former chief of the International Monetary Fund: 'A large expansion of debt will certainly make it harder for the US to maintain its military dominance which has been one of the lynchpins of the dollar' (*Financial Times*, 17 September 2008).

United States Defence and defence related spending amounted to more than $1,000 trillion in fiscal year 2007-2008 (Johnson 2008). Nobel Prize winning economist Joseph Stiglitz estimated in 2008 that the 'War on Terror' has cost American taxpayers US$3 trillion. Military-related production and research are deeply embedded in the American economy. The United States' military plays a special role in forcibly preserving and extending the American empire across the globe. American military dominance and the wars the United States is waging are increasingly reliant upon the steady inflow of foreign capital of nearly $3 billion a day. For this to continue, the

United States' economy and the dollar must remain stable. This is the stark contradiction for American imperialism (Bellamy Foster, Holleman and McChesney 2008, 1-19).

The United States faces new competitive challenges and the emergence of potential rival constellations of power contending for market shares, control over energy resources and geopolitical position (Meredith 2007; Klare 2008a). The international bodies which the United States dominates – the International Monetary Fund, World Bank and World Trade Organisation – seem impotent under the current crisis. The available funds of the International Monetary Fund and the World Bank are insignificant compared to the scale of loan requirements. Different countries seek to shore up their domestic economies against the financial storm. The World Trade Organisation's globalisation agenda has few enthusiasts.

The crisis of capital has revealed the acute vulnerability of United States imperialism. It continues to preserve and extend its supremacy despite its declining economic strength and a fractured and unstable world financial architecture which for the present is based on the privileged role of the dollar. This is a period of dynamic flux in the world system of capitalism.

From the collapse of the Soviet bloc a new more integrated geopolitical framework for capital accumulation contributed to accelerated globalization. It was intensified by new technologies and consolidated under the United States-led project of neo-liberalism which privatised government assets, opened new markets to foreign capital, jettisoned most regulations over international business, cut social welfare and suppressed the rights of labour. The rapid industrialization of world agriculture and the trans-national integration of food production have increasingly destroyed traditional agricultural systems throughout the Third World. There has been an unprecedented forced urbanization and pauperisation of huge population movements throughout many Third World countries. More than half the world's population now live in cities. One billion people inhabit the slums of contemporary Third World cities. Mike Davis (2006) describes this new material reality as the 'planet of slums'. Arising in the wake of the implosion of the Soviet Union and globalisation is a reactionary trans-national Islamic fundamentalism that is both a real and ideological force.

As the crisis of capital continues, these shifts and fault-lines in the world economy and society at large become clearer. A new situation and great challenges to global capitalism is emerging through the present global financial crisis. China's rapid economic rise and power projection into East and Central Asia and other strategic regions of the Third World indicate that the United States' global domination is under challenge (Shaplen and Laney 2007). China is the second largest economy after the United States. China has averaged close to 10 per cent growth in its Gross Domestic Product over the last two decades, surpassing all of the other major economies in the world. Most of the advanced capitalist countries achieved average annual growth rates in GDP of between two and four per cent. Like the United States, however, China's economy also has its vulnerabilities. It is estimated that 75 per cent of China's industries are plagued by over-investment relative to markets which is directly linked to financialization, one of the main causes of the present global financial crisis (Hung 2008).

The European Union, with the creation of a monetary zone based on the currency of the Euro, potentially poses an economic challenge to the hegemony of the US dollar. Since 1995, the European Union has grown from 15 to 27 member countries and has emerged as a market that rivals the American market in size. The European Union has been expanding its military industry with fighter jets, a European satellite navigation system, and by attempting to establish an overall command structure. The military resources of the European Union remain minor in comparison to that of the United States. However, as a potential rival to the United States, the European Union appears more imposing when viewed in terms of its links to Russia (Van Der Pijl 2006, 267-290).

Economic linkages have been strengthened between Russia and the rest of Europe in recent years. Russia is increasingly dominating energy supplies to Western Europe, and the European Union accounts for 75 per cent of Russia's export earnings. An assertive energy-based Russia, countering United States moves, has promoted its own interests in energy-rich Central Asia. To this end, Russia has formed a strategic partnership with China in relation to regions of Eurasia. The Russian natural gas company, Gazprom, is the centrepiece of Russia's strategic energy sector and contributes about eight per cent of Russia's Gross Domestic Product. It is the third largest company in the world after Exxon-Mobil and General Electric.

Russia has also provided technological assistance and weapons to Iran and Venezuela, and possibly North Korea. Russia now has the world's third highest level of military expenditure. Between 2003 and 2007, Russia was the second largest weapon's merchant in the world, closely trailing the United States. Russia relies heavily on weapons exports, including advanced military technology, to maintain its industrial and technological base.

Russia has provided the most significant challenge to the United States in recent years. Rivalry between the United States and Russia is being played out through the struggle to control the flow of oil and natural gas from the basin of the Caspian Sea to markets in Europe and Asia. Russia enjoys a privileged access to Central Asia's energy resources and has a near monopoly on the transportation of natural gas out of Central Asia. However, American, Western European and Japanese companies have collaborated on the 'BTC pipeline', which transports oil from Azerbaijan through Georgia to Turkey and bypasses Russia. The United States has supported the pipeline financially and politically in order to 'contain' Russian influence. The United States has been attempting to transform Georgia into a bridgehead for American and Western European interests, while Russia views the Caucasus and the Caspian Sea region as its 'zone of special influence' (Gill and Oresman 2003; Klare 2008b:7; Stockholm International Peace Research Institute 2008).

Conclusion

The global crisis of capital grips a world economy where there is an intensifying competition for finite resources, especially oil, and global ecological stresses may be beyond repair or recovery. This systemic crisis creates greater shifts and fault-lines in the global economy. The prospects for change, political, economic and ideological, may be profound. The fate of global capital in crisis cannot be predicted only anticipated.

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