The American Century
Preserving and Contesting
US Hegemony
From the Editing Team

The end of the second World War preceded the establishment of a financial world order at the demand of the Allies. The United States of America’s promotion of the 1944 Bretton Woods Agreement inaugurated the rapid development of American hegemony economically, militarily, and culturally. Seventy-four years on, discussing US hegemony is as relevant as ever due to an era of ‘rising powers,’ the ascension of Donald J. Trump to the Presidency and the signs of a brewing trade war. US hegemony and challenges to its preservation will be a contested topic in the years to come.

The following selection of essays discuss the concept of US Hegemony, discussing a range of topics including, ‘The Pivot,’ US influence on Japan’s economy, the commitment of US military assets post-WW2, the economic impact of the US on the world order, the creation of the Bretton Woods system and the future of US hegemony.

It is our hope that these issues provided by dedicated students of International Relations will be to our readers’ liking. Do not hesitate to contact the Interstate Journal if you are interested in contributing.

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Credit for the final design of the front cover belongs to Cosmin Timofte.

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Thank you,

Ben Brotherwood, Iasson Chryssikos, and Arthur Scott

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Aberystwyth University 2018
To what extent is Obama’s policy of ‘The Pivot’ justified?

By Nick Dorey

President Obama declared that he would be the first ‘Pacific’ President, claiming to break with Bush’s focus on Europe and the Middle East and shift the focus of US Foreign Policy to the Asia Pacific, which he stated that the US had been neglectful of.¹ The shift was seen as a response to the People’s Republic of China’s rising power in Asia both in economic means and military and the US focus was labelled as the Pivot or ‘rebalance’ implying an intention to shift the balance of power in the favour of the US.² John Mearsheimer states that a regional hegemon such as the United States will act to prevent the rise of another, often acting as offshore balancer where it works with other local powers to constrain the rising regional hegemon.³ So, Mearsheimer’s theory can be used to describe US interests in the Pacific and in constraining China and thus explain the rationale behind the Pivot. The US wishes to retain its hegemonic status and freedom to act unopposed in pursuing its interests and a rising China is seen as a threat to this. This paper will examine a few key aspects of the Pivot; the US military aspect, regional cooperation, and economic engagement, whilst weighing up their strategic value in achieving US interests in the Pacific. Ultimately it appears while the Pivot strategy was justified, in terms of strategic viability, it ultimately failed due to poor execution of the economic engagement despite the soundness of the military and regional cooperation aspects.

US Military Pillar

One aspect of the Pivot was the military dimension where the Americans have been shifting their military focus to the Asia Pacific in order to counter rising Chinese military power. The US has already moved 60% of their submarine fleet to the Pacific and plans to have 60% of the entire US navy operating in the theatre by 2020.⁴ This is in response to increased Chinese military expenditure and what the US sees as a more assertive China in the region and more importantly one

capable of competing with the US militarily. For example in 2006 a Chinese Submarine slipped past a US carrier group’s submarine screen and got within five miles of the carrier USS Kitty Hawk where it surfaced. This put the USS carrier within range of the submarine’s torpedoes and anti-ship cruise missiles. While not merely an embarrassment for the US commander on duty, it also demonstrates to the US that the Chinese navy is capable of inflicting great harm to the US navy. A supercarrier such as the Kitty Hawk is the mainstay of a US fleet and the offensive capabilities of the fleet are centred around the carrier, the loss of which would cripple the fleet’s ability to control the sea and project power. It would also be a blow to US prestige which would have a huge effect on the American psyche with the loss of just shy of 5000 lives and 12 billion dollars of cutting edge hardware. The surfacing of the submarine can therefore be seen as a statement to the Americans that they won’t be enjoying the freedom of action that their military power once afforded them, and that their advantage was diminishing. With their military power waning the US would be less able to protect its interests in the region such as defending allies like Taiwan, therefore the US was strategically justified in increasing its military capabilities with the Pivot.

On the other hand, not all analysts would agree that the ‘China threat’ is a serious concern for the US military and that US military posturing is having a detrimental effect on Sino-US relations. Robert Ross argues that China, rather than acting from a place of strength, is in fact acting out of insecurity. As Chinese leaders realising the PLA is inferior to the US militarily and aggressive US military build-up will only fuel Chinese aggression and undermine regional stability. Ross claims that China’s naval power pales in comparison to that of the US; they have only just begun to build the next generation of missile destroyers but these they will not reach the quantity and quality of their US counterparts. They only have one aircraft carrier and even that is a relatively old, small Russian one, whereas the US have eleven advanced supercarriers and are in the process of upgrading to more modern ones. While 30 percent of the PLA’s naval forces can be considered modern, only 55% of the submarine fleet can be. Ross uses this information to prove that China cannot challenge the US's navy at sea. The ramifications of this are clear - that the US is unnecessarily

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6 Ibid
7 Vandenengel, J. ‘Too Big to Sink’, Naval Review Proceeding, (May 2017) p. 20
8 Ibid, p. 19
10 Ibid, 73
11 Ibid, 73
provoking China thus the Pivot is running counter to US aims in the Pacific of making the region more stable.

However, Robert Ross has misread the kind of threat that the Chinese navy poses to the US’s interests in the region. Firstly, to address the carrier serves no serious immediate threat to US naval power as it is a trial for China’s future blue water naval ambitions. The carrier has limited significance to China’s strategy to counter the US close to the mainland but will allow China to project its power more globally in the future, this explains why China has opted for development and construction of submarines at the expense of carrier development. The aim of Chinese military development is not to rival the US navy in the region, but to deny them the freedom of the common seas and therefore undermine the US’s ability to contest China’s core interests. Chinese military development is more focused on achieving anti-access or area denial capabilities (A2AD) which will deter the US from intervening in a conflict with China. For example, the submarines and anti-ship missiles that China focuses on the Taiwan Strait are aimed to deter the US from being able to sail a fleet through it in case of another crisis. These anti-access capabilities such as anti-ship missiles and submarines, as demonstrated earlier, make US ships vulnerable. Therefore the Department of Defence has developed the Air-Sea battle doctrine which is aimed at countering anti-access area denial (A2AD) capabilities thus allowing the United States to maintain its unfettered access to the sea lanes.

Regional Cooperation

Another key aspect of the Pivot is known as external balancing. This is where the United States not only engages and forms security partnerships with regional players such as Australia or Thailand with the United States, but also encourages cooperation and security partnerships among the regional partners. For example, the United States encouraged the Japanese creation of a quadrilateral security dialogue between the US, India, Australia and Japan, who by 2009 had all signed bilateral declarations of security cooperation with one another. This was in conjunction with what was a planned decrease in certain areas of US presence, such as South Korea where the aim was to reduce troop presence from 37,500 to 25,000, thereby creating an

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14 Ibid
17 Ibid, 78-9
incentive for regional nations to work together.\textsuperscript{18} This part of the Pivot corresponds with a number of US interests. It would allow the US to take a step back from confronting China militarily as regional partners and they would then be in a better position to deter Chinese assertiveness, such ASEAN taking a more unified stance on the South China Sea thus allowing the US to fall back on the role as an offshore balancer as opposed to being a front line state, reducing the costs of the Pivot.\textsuperscript{19} By encouraging local states to carry more of the financial weight for their security the US would achieve two goals; it would have countered the notion that the US’s Asian partners were ‘freeloading’ off American security, which as shown by Trump’s campaign, is a very popular opinion.\textsuperscript{20} The danger of this perception is that the domestic population of the United States is less willing to come to the aid of Asian allies leaving the US less able to uphold its security guarantees.\textsuperscript{21} The second advantage is that it alleviates what is known as America’s imperial overstretch, as America has become increasingly involved in interventions abroad it has taken a heavy toll on its economy and political willpower - some scholars suggest this will lead to America’s decline.\textsuperscript{22} Therefore, it is justifiable that the US, as part of the Pivot, seek regional partners with whom to share the security burden.

A serious concern when it comes to the external balancing aspect is that it will make China even more insecure in its position, and trigger more aggressive responses. The security agreements can be seen in American attempts at coalition building in order to pursue a cold war policy of containment similar to the USSR but on China.\textsuperscript{23} This reinforces long standing Chinese fears of encirclement by the great powers, something which the People’s Republic of China has been trying to prevent since the communist revolution.\textsuperscript{24} The whole situation of seeking partners to counter balance against the opposing power has the potential to break out into a full-blown security dilemma where each power’s attempts to increase their security results in the other feeling more insecure and seeking to address it, thus perpetuating the potential for conflict.\textsuperscript{25} Due of this, the Pivot has often been criticised as leading

\textsuperscript{18} Ibid, 75
\textsuperscript{20} Jackson, V. ‘Donald’s Trump’s Asia Policy Would be a Disaster’, \textit{The Diplomat}, 11 September 2015. Available at: https://thediplomat.com/2015/09/donald-trumps-asia-policy-would-be-a-disaster/ [Accessed 13 December 2017]
\textsuperscript{24} Dian, M. ‘The Pivot to Asia, Air-Sea Battle and contested commons in the Asia Pacific region’, \textit{The Pacific Review}, 28.2 (2015) p.239
to the development of a new cold war with China. This backlash resulting from the Pivot brings into question the justifications for Pivot strategy, as it would run counter to US interests of rebalancing and providing security to East Asia, instead leaving it more insecure. In fact, there are calls for the US to retreat on its commitments to allies such as Taiwan in order to avoid a ruinous confrontation with China.

Although there are several issues with these analysis; firstly, the situation is not comparable to the containment policy of the Cold War as there is considerable economic intercourse between the US and China whereas the USSR and the US had very little. China is the second largest holder of US public debt and both are increasingly dependent on one another for trade. The economic aspects of the Pivot shall be explored further on this essay, but it is important to note that both powers stand to lose from direct confrontation as they are economically dependent on one another. The second issue is the idea that the United States is attempting to maintain the balance of power in the region to ensure the security of its allies and regional partners. The rise of China did not only concern the US but also other powers in the region too as they feared they would lose out and be left increasingly at the mercy of a more assertive China. The security of allies is essential to US foreign policy because if the US does not uphold its security guarantees then it faces a loss of legitimacy as a security guarantor which is the cornerstone of US hegemony. Thus, ensuring regional security of allies can be viewed as an attempt by the US to raise the cost of using force high enough that China is deterred from using it to achieve its goals.

**Economic Pillar**

The economic aspect of the Pivot intended to link together regional partners of the US, to encourage cooperation as an incentive for China to engage in the world order as opposed to trying to undermine or rewrite that which was viewed from an American

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The Trans Pacific Partnership or TPP was the highest profile economic initiative of the Pivot until Trump pulled out of it, which would have created a free trade zone between economies that make up 40% of the global GDP. While initially excluded from the TPP negotiations China was not be kept out forever, it was very much the intention for the TPP rules and regulations to be negotiated between the US and its regional partners as it was a neo liberal project and as result required countries to liberalise on issues such as labour rights, human rights and copyright laws. The idea was to encourage countries who wished to join the TPP to liberalise their economies and laws to facilitate trade and encourage them to embrace liberal ideals. The TPP and economic engagement was the ‘carrot’ part of the pivot where the ‘stick’ was deterring China from trying to use force to achieve its goals and the ‘carrot’ being economic incentives to encourage China to liberalise and become a stake holder in the global order.

On the other hand, the Obama administration rather than pursuing economic engagement did more harm to the Pivot by excluding China from economic forums and by not working with economic initiatives put forward by China. The US excluded China from the TPP under grounds of human rights abuses despite Vietnam—with its equally poor human rights record—being allowed to join. This proved to China that the TPP was a geopolitical project as opposed to an economic one. Furthermore, the US blocked Chinese attempts at creating a free trade area in the Asia Pacific and categorically refused to join the Asian Infrastructure Investment Bank, this showed a clear disconnect with Obama’s talk of engagement with China and hope that China would take part in TPP. All this served to undermine the economic engagement aspect of the Pivot, leaving only the military dimension aimed towards China and the web of loose security partnership.

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38 Ford, J. ‘The Pivot to Asia was Obama’s Biggest Mistake’, *The Diplomat*, 21 January 2017. Available at: https://thediplomat.com/2017/01/the-pivot-to-asia-was-obamas-biggest-mistake/ [Accessed 4 December 2017]
of the Pivot and with its collapse the Pivot and the rebalance are severely damaged.\(^{39}\) China has launched its own initiatives focused on binding regional partners economically to it known as the Belt and Road initiative.\(^{40}\) Thus, the economic aspect of the Pivot whilst potentially viable and justifiable, was mismanaged by the Obama administration and ultimately dropped with Trump’s ascension.

In summary the military aspects of the Pivot were strategically robust and a reasonable response to China’s military development of A2AD strategies which were intended to deny the US Navy the ability to patrol and provide security in the region. The US military aspect in conjunction with the regional cooperation aspect of the Pivot, where the US weaved security agreements between regional partners, would provide the coercive part of the Pivot which was aimed at deterring China from using extraordinary force to achieve her interests in the region and instead rely on diplomacy and economic cooperation to achieve them. The economic aspect was intended to provide an incentive for China to liberalise its laws thus hopefully reducing tensions. However, due to mismanagement by the Obama administration, in refusing to work with China on economic initiatives such as the Asian Investment Infrastructure bank the economic aspect of engagement with China began to waiver and was finally put to rest with Trump pulling out of the TPP. Therefore while the Pivot to Asia strategically justified framework to protect US interests in the region from a rising hegemon, the failure of one pillar led resulted in a severely weakened Pivot.

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Guiding hand or war-time remnant?

Assessing the impact and extent of American influences on the Japanese ‘economic miracle’

By Fredrik A. F. Matre

Introduction

American global influence after the Second World War is often touted as being universal (especially after the collapse of the Soviet Union). This essay aims to challenge that assumption through the examination of the Japanese ‘economic miracle’. Through analysis of its causes one can see that despite the prevalence of American influence, it was not nearly as influential as some economists have proposed.

After the Japanese defeat in the Second World War the Supreme Commander of the Allied Powers (SCAP) General Douglas MacArthur was given the responsibility of overseeing the occupation of Japan. Directly superseding the occupation came a period of time that included the so-called Japanese ‘economic miracle’. Japan went from impoverishment to double digit percentage growth in GNP. This article intends to ascertain whether American or Japanese influence is to be chiefly credited with the creation of the conditions for this ‘miracle’ so as to answer the research question, “To what extent did the American occupiers of SCAP create the perfect economic environment for the 'American dream' in 1950's and 60's Japan?”

Fostering the American dream

The exponential growth of the Japanese GNP in the 60’s and 70’s resulted in standards of living rising for the average Japanese citizen and by “the early 1970’s, according to government opinion polls, 90 per cent of Japanese classified themselves as part of the ‘middle’ class.”
This unprecedented distribution of wealth was something that policymakers could only dream of achieving in the United States.

In the United States the notion of the ‘American dream’ is, and has long been the aspiration for, as James Truslow Adams wrote in 1931, “a better, richer, and happier life for all our citizens of every rank”. The ‘American dream’ is a dream of the life in the ‘middle class’, of opportunity to achieve and prosper based on one's merit. By that criteria, obtaining a 'middle class' life is achieving the ‘American dream’ - Japan had precisely that with “90 per cent of Japanese [classifying] themselves as part of the ‘middle’ class.”

At first glance it seems that, with limited oversight and powers bordering on the dictatorial, the American occupiers of SCAP managed to create this particular society near identical to many depictions of a utopian ‘American dream’. But how was this socio-economic environment created, and was it mostly due to reforms enacted by the SCAP? This article investigates to what extent the Americans can make claim to this ‘miracle’ and how much American influence affected the economic growth; if it was not merely due to fiscal policy enacted by Japanese post-war politicians.

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1 Tipton, E. Modern Japan: A social and political history. 3rd ed. (London & New York, Routledge, 2016), p. 189
3 Tipton, Modern Japan, p. 189
The early phase of the SCAP occupation 1945-1950

After the Second World War, as the American occupation by SCAP commenced, it was in the Americans’ best interest not to punish Japan with massive reparations, for a capitalist ally in the Far East was needed to limit the influence of the Soviet Union and communist China in the region. SCAP therefore did not remove the ruling class and systems of government due to the “[fear of] the possibility of social revolution in the wake of defeat, and this recommended restoring the old order, purged of outright militarists, as quickly as possible.”¹

Yet it is important to stress that the economic ‘miracle’ did not materialise as soon as the Americans arrived. Prof. Gary D. Allinson noted that “for years after 1945 the Japanese people suffered physical and psychological devastation. Cities lay in ruins. Inflation spiraled. Black markets [thrived]. Jobs disappeared. Incomes plunged.”² Not only were the Japanese extremely vulnerable at this time, but “these problems... were complicated by the presence of foreign occupiers.”³ As this was the first and only time Japan would be under the occupation by a foreign nation there was understandable suspicion and tension within the Japanese populus. Prof. Allinson further underlines that “initial [SCAP] policies emphasized peace and placed severe restraints on economic recovery”⁴ similar to the handling of Germany after the war. Yet, as this restrictive line would not work “American policy shifted away from punishment towards reconstruction.”⁵ According to T. A. Bisson “[the] occupation forces were well aware of the necessity for far-reaching changes in the Japanese economic structure.”⁶ It was outlined clearly in the Basic Initial Post-Surrender Directive in Part I - Ultimate Objectives that “the Japanese people [were to] be afforded opportunity to develop for themselves an economy which [would] permit the peacetime requirements of the population to be met.”⁷

Economic recession and reactions

The Americans came to Japan in 1945 “confronted with... [an] economic crisis that became steadily more acute as time went on, and

³ Ibid, p. 45
⁴ Ibid, p. 53
⁵ Ibid
it soon became apparent that the old guard was waging its shrewdest battle against the occupation on the economic front." The occupiers sought to create stability in the economy primarily due to three factors; Firstly, it was important that the economy stabilized so that the government would not be overthrown by a radical faction, especially socialists. Secondly, it was important for Japan to have economic growth to stabilize the trade balance with the US. Since the Americans were subsidizing the Japanese, two billion dollars over the seven-year occupation, there was a desire to make sure that Japan was self-sufficient and therefore stable. Thirdly, was the desire for Japan to function as a strategic trade- and military partner in Pacific Asia.

One important reaction to the economic hardships was the Dodge Plan. Joseph Morrell Dodge was a chairman of the Detroit Bank and a financial advisor to the Americans in West Germany. In December 1948 the National Security Council (NSC) approved what has become known as the Dodge Plan and in 1949 President Truman appointed Dodge as the financial advisor to General MacArthur. The Dodge Plan recommended nine crucial steps for stabilizing the economy:

1. Achieve a true balance in the consolidated budget at the earliest possible date by stringent curtailing of expenditures and maximum expansion in total government revenues, including such new revenue measures as may be necessary and appropriate.

2. Accelerate and strengthen the program of tax collection and ensure prompt, widespread, and vigorous criminal prosecution of tax evaders.

3. Ensure rigorous limitation of credit extension to projects contributing to economic recovery of Japan.

4. Establish an effective program to achieve wage stability.

5. Strengthen and, if necessary, expand the coverage of existing price control programs.

6. Improve the operation of foreign trade controls and tighten existing foreign exchange controls, to the extent that such measures can appropriately be delegated to Japanese agencies.

7. Improve the effectiveness of the present allocation and rationing system, particularly to the end of maximizing exports.

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8 Bisson, ‘Struggle’, p. 94
8. Increase production of all essential indigenous raw material and manufactured products.

9. Improve efficiency of the food-collection program.”

The Dodge Plan did not see immediate success, “yet Dodge and the White House considered inflation by far a greater evil than stalling the economy...” and would not consider any “Keynesian fiscal stimulus.” The budgets developed under the Dodge Plan were “Known at the time as ‘over balanced’ budgets, [with the goal of eradicating deficits.]” The Japanese Ministry of Finance claims that the “Dodge Plan budgeting enabled Japan to balance its fiscal spending, restrain government outlays, cut price subsidies and eliminate the rationing system.”

The move from the *zaibatsu* to *keiretsu*

One of SCAP’s primary concerns when it came to ruling Japan was the break-up of the zaibatsu conglomerates. General MacArthur saw the dissolution of these massive economic oligarchies as vital to the democratization process. “Allied officials saw zaibatsu influences as intrinsically evil” not only because of their market power, with “ten principal zaibatsu [companies]... [allowing] about fifty-six families to dominate nearly every sector of the economy”, but also because “the zaibatsu had allegedly collaborated with the military and landlords to promote the war.” Allinson further confirmed the validity of this sentiment as “Many of the old zaibatsu profited immensely from military production”. The aim of the occupiers was for “Labour ... to serve as a countervailing power to that of large capital” and their image of the power vested in the zaibatsu came from Japanese scholarly research.

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11 Ibid, p. 270
12 Ibid
14 Ibid, p. 58
15 A zaibatsu was a large Japanese family-owned company or network of companies with a monopoly or near monopoly in one or several industries. These companies wielded immense power in government- and military-circles
16 Keiretsu was the term coined for the former zaibatsu after they were broken up by the Deconcentration Law. They were several companies who held bonds in the other companies and were centered around one bank and trading house.
17 Allinson, Japan’s Postwar History, p. 57
19 Allinson, *Japan’s Postwar History*, p. 57
20 Ibid
21 Ibid
sources, “influenced by Marxist analyses ... [that] often exaggerated their [the zaibatsus] importance in the pre-war Japanese economy.”

Another major influence on the Americans was the New Deal. Especially applicable was the topic of “concentrated capital [which] had been an object of criticism in the United States during the 1930s.” The Americans therefore enacted “multifaceted, extensive and penetrating” reforms, although controversial among Japanese common people, businessmen, economists and politicians. These reforms included “[confiscating] the stock holdings of fifty-six members of fourteen leading zaibatsu families... [and those of] major zaibatsu holding companies... [which] were then sold on the open market, often to individual buyers.” To limit the old zaibatsus’ ability to reorganize the “Reformers also eliminated the holding companies themselves, thereby destroying the managerial nerve center of the zaibatsu enterprises.” When it came to breaking up the large zaibatsu into smaller companies there were complications.

General MacArthur pushed through the Deconcentration Law, which legislated for the break-up of 325 companies, through a reluctant Diet. He later realised that the law was “excessive... [believing] that only those concerns which were ‘interfering seriously with economic recovery’ should be reorganized by the Deconcentration Law.” The matter was referred to the Deconcentration Review Board (DRB) who recommended which companies to dissolve. The deconcentration effort was ultimately minimal. As the DRB disbanded in August 1949 they “had recommended a reorganization of nineteen major companies”. The law was effectively annulled in 1949 (and further so in 1953) with amendments made by the Diet removing nearly everything the Americans had initially worked for. Although, “at the start 83 [zaibatsu] conglomerates were broken up into smaller units,” these old zaibatsu companies quickly found each other again in 1949, not as closely tied together, but now concentrated around a common bank and tradehouse, called keiretsu. The reforms insured the move away from oligarchical business practices that quelled competition, but it did not remove the big players completely.

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22 Ibid
23 Ibid
24 Allinson, Japan’s Postwar History, p. 58
25 Ibid
26 Ibid
28 Ibid, pp. 128 - 131
29 Ibid
Land reforms

The idea of land reform was not one the Americans brought with them, it was a Japanese initiative that had been discussed even before the war. Yet “in this case SCAP forced an even more comprehensive redistribution of land than the Japanese proposed” through the legislature. This meant that “resident landlords [landlord not cultivating their own land but leasing it] owning more than 2.5 acres of land... had to relinquish the excess, which was sold to tenants” and “by 1950, 90 per cent of the arable land in the country was owned by those who cultivated it.” The undeniable fact is that the American occupiers could not have successfully brought about these reforms without Japanese influence, due to “essentially no history of land reform efforts” in the US.

Another major obstacle was that “the occupying authorities knew woefully little about rural Japan in 1945.” This meant that “the reformers operated with an image of rural Japan which placed a small body of landlords atop the shoulders of a large, immiserated tenantry.” Therefore “they overlooked almost entirely the large group of middling farmers whose presence denoted a wider distribution of land than the occupiers at first seemed to realize.” Though these misunderstandings were “compensated for... [by the] committees of local farmers [who] reallocated land.”

A gift from the gods – direct American influences

During the seven year occupation of Japan, the US “injected two billion dollars into the [Japanese] economy” and in 1970 “the Americans purchased 31 per cent of all Japanese exports.” Large parts of the economic miracle “was linked to the opportunities... arising from [Japan's] association with the United States.” The US had, as previously mentioned, a vested interest in developing Japan into an ally in the Far East. This need grew even stronger in 1949 when the Japanese Communist Party won 35 seats in the Diet and the communists installed Mao in China.

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31 Tipton, Modern Japan, p. 173
32 Allinson, Japan’s Postwar History, p. 56
33 Tipton, Modern Japan, p. 173
34 Allinson, Japan’s Postwar History, p. 55
36 Ibid
37 Ibid
38 Ibid
39 Clements, Modern Japan: All That Matters, p. 28
40 Vadney, The World Since 1945, p. 364
41 Ibid, p. 370
The one factor a large majority of scholars agree helped the Japanese economy grow sizably was the Korean War; leading to a major Japanese “export boom driven by US procurements... [as] the Americans spent approximately [4 billion dollars] on Japanese goods and services.” These purchases, which from the American side were “partly out of necessity and partly out of design,” were a welcome influx of capital in a time of limited government spending due to the Dodge Plan. “These purchases stimulated demand in such key industries as textiles, chemicals, vehicles, steel, and coal mining.” This was, as described by Prime Minister Yoshida at the time “a 'gift from the gods'... which amounted to 60% of Japan’s exports over the next three years... production [rising] by over 70%, and Japan’s GNP [growing] at 12% per annum.”

MITI – The counter-argument

The Ministry of International Trade and Industry (MITI) was, up until 2001, a Japanese government agency created in 1949 when the Ministry of Commerce and Industry (MCI) was dissolved. MCI was instrumental in the lead up to the war and during the war as a part of the Ministry of Agriculture and Forestry. Yet MCI was not only responsible for facilitating the economic and industrial requirements of the total war, it was also instrumental in modernizing Japanese industry by altering “the composition of manufacturing... drastically from light industries (primarily textiles) to heavy industries (metals, machines and chemicals).” This shift into heavy industries laid the foundation for the ‘economic miracle’. The bureaucrats at MITI executed industrial reforms and were therefore instrumental in ensuring economic stability and growth both before and during the war (as MCI) but also after the war, when they were given a new mandate by SCAP in 1949. To explain how the bureaucrats got this prominent position in the Japanese system of government, Prof. Chalmers Johnson argues that “The origins of the separation between power and authority are to be found in Japan's Feudal past.” As time passed and governing structures changed “the bureaucracy installed at the center of government” remained and “[arrogated] more and more power.”

Countering this view of MITI's importance is Prof. Benjamin Powell, who wrote that the “claim that MITI helped Japan achieve a high growth rate by selectively pursuing tariffs and other industrial policies

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42 Ibid, p. 363
43 Allinson, Japan’s Postwar History, p. 77
44 Ibid
45 Goto-Jones, Modern Japan: short intro, p. 98
47 Ibid, p. 36
48 Ibid, p. 37
49 Ibid
to favour particular industries... does not bear close scrutiny.”

Powell argues that “While striking examples exist of companies succeeding despite MITI’s discouragement, evidence of successful promotion does not.” Instead, he argues that the free market “dictates how capital and labour are allocated” and that “any industrial policy that promotes one industry [like MITI did] is necessarily a policy against other industries... [such that] Attempts at industrial planning are likely to hinder development by promoting incorrect industries.”

Contrary to Johnson’s view, Powell claims that “one cannot demonstrate that MITI’s favoring of particular industries was better for the economy than if industrial policy had not rigged the outcome.” Powell rather proposes that “Despite MITI’s involvement, Japan’s institutional environment of relatively low government interference and high economic freedom allowed the nation to grow rapidly for a number of years.”

Prof. David R. Henderson agrees with Powell that “the extent of MITI’s control, and of government control generally, has been greatly exaggerated.” Henderson says that Johnson’s argument that tariffs were in part the cause for the economic upturn is unfounded and that “tariffs are a particularly unlikely cause of Japan’s growth.”

Conclusion

The American occupiers of SCAP and their surrounding agencies were instrumental in maintaining a stable system of government in Japan immediately succeeding the war. Japan could have fallen to the hands of the socialist or anarchist movements in the country, yet instead SCAP fostered a mutual free trade relationship between Japan and the US that endures to this day. Concluding it is clear that the Americans were not the sole contributors to the Japanese ‘economic miracle’. The Japanese legislature and bureaucracy were instrumental to the expansive growth than the reforms put forth by SCAP and surrounding agencies; reforms that often hurt the economy instead of stimulating it.

Prof. Masahiro Takada’s sums it up nicely:

“The most important factor that enabled Japan’s amazing economic growth, which was somewhat an
exception to modern economic history was the ability of the people itself to successfully combine all the knowledge and skills gained from foreign countries, and then improving those skills to fit their own system. The economic miracle did not occur simply from the reform policies implemented during the occupation of the American forces, but the basic factors for growth had already been prepared way beyond the start of WWII.”

This argument is echoed in the general Japanese (and increasingly global) historical consensus that the Japanese ‘economic miracle’ was in large part not due to the American influences in the country after the Second World War, but rather due to the Japanese effort both before, during and after the Second World War.

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The Pivot: from reality to fiction

By Iasson Chryssikos

Introduction

The United States' presence the economics and politics of the Pacific and Northeast Asia was established with the enactment of the ‘Open Door’ policy in the 1890s, the involvement of the US in high-profile diplomatic conferences such as the Morocco conference in 1906 and their role as a settlement broker between Japan and Russia in the Russo-Japanese war (1904-5). After the end of the second world war, the US has been very elaborate in affirming its presence even further, as the reconstruction process of Japan with subsequent military and economic treaties and the commitment to defend the Republic of Korea (ROK) and support it economically show.

In relation to the ROK, especially during the Park Chung-hee years (1961-79), the US Agency for International Development argued that it had “become a symbol of the determination of the United States to assist the nations of free Asia to defend against communist aggression”, with 7.6 percent of the US foreign aid budget being dedicated to the ROK in 1960. That, in combination with financial aid packages in the 1960s-70s aimed at modernizing the ROK’s military and economy such as the 'Brown Memorandum', are just a fraction of US involvement that are indicative of the value the region had for US foreign policy makers in the Cold War.

The importance of the region today remains unchanged. The US post-Cold War is both committed to converging Asian partners to neoliberal rules through bilateral and multilateral free trade agreements or institutions and committing to their treaties of mutual defence. The Obama administration’s ‘pivot’ constitutes a reaffirmation of the importance of the region to US national interests, but also an upgrade in its importance while shifting focus from the Middle East to China and the surrounding area. Yet this ‘shift’ and the ‘disengagement’ from the

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1 Kennedy, P. The rise and fall of the great powers (Glasgow, Fontana Press, 1989), p. 317-20
6 Ibid, pp. 491-2
Middle East can encounter a series of objections thus delegitimizing its viability.

Therefore, this paper will firstly define the ‘pivot’ focusing on Northeast Asia (China, the Koreas and Japan) in terms of what it wished to accomplish and what it sought to emphasize for US foreign policy. Secondly, it will point out that the actuality of the ‘pivot’ as a shifting of importance from the Middle East to Northeast Asia is actually questionable since many of the ‘pivot’s’ proposed policies seem to be a continuation of Bush administration policies in the region rather than new ones. Lastly, it will be concluded that the ‘pivot’, without arguing that diplomatic focus on Asia is not justifiable (in fact quite the opposite), does not consist a genuine shift of resources from the Middle East to Asia, but a disengagement of assets from the former.

The Pivot

The main focus of the ‘pivot’ lies on air/sea conflicts and anti-access/area denial (A2D2). Other concerns of the ‘pivot’ concern the modernization of the Chinese military over the course of the last decade. Therefore, although neglected in the past with the Middle East being central in US foreign policy during the Bush administration, focus is diverted to China and its military capabilities. Moreover, the new policy would “move away from the army, asymmetry, counter-insurgency, and counter-terrorism, toward the air force, navy, and traditional interstate hegemonic competition.”7 Therefore, with disengagement from the modus operandi of the Iraq and Afghanistan theatres, the US readjusts its tactics to the Pacific theatre, which is one that relies on operational and responsive speed. Especially in the case of the South and East China Sea, the attempts of the Chinese navy and air forces to deny freedom of navigation in international waters to the US and its allies, whilst also penetrating Japanese airspace over the Senkaku Islands, evidences the need for such highly responsive tactics to deny China further encroachment.8

Moreover, the ‘pivot’ counts on the “dispersion of US forces around the Pacific to alleviate the likelihood of a missile strike on concentrations.”9 Although that is the case, US troops have been mainly concentrated, rotationally or in a more permanent manner, in the ROK and Japan. This, though, is hardly new but rather a continuous and common policy since the 1950s, as it will be discussed further on. In relation to North Korea, the Obama administration refuses to let any

more ground. Yet again, due to the reliability of the North Korean regime on China, it is China that is held accountable and hence why more focus has to be invested in the financial and military exchanges of China.10

Another important aspect of the ‘pivot’ is the gradual establishment of a regional economic order led by the US through bilateral or multilateral trade agreements and engagement through regional and global multilateral institutions (such as the ASEAN, APEC and so on). The Trans Pacific Partnership (TPP) and the Free Trade Agreement (FTA) with the ROK are indicative of what the ‘pivot’ hopes to achieve. Firstly, these agreements aim at lowering tariffs between the subject signees and further integrating their respective economies. In the instance of the US-Korea FTA, “95 percent of US consumer and industrial exports within five years” will be eliminated while boosting both economies sustaining jobs creation and increasing growth and corporate profits.11 Moreover, the TPP not only promises the reduction of trade tariffs but also the establishment of common rules and standards in the conduct of trade. The engagement in such agreements pushes for reforms in the trading status of countries such as Japan. Both the ROK and Japan have peculiar business environments where the state actively favours a specific set of conglomerates and economic policies affecting them is most of the time legislated in their protection. This close coordination between the Japanese government, and especially the Liberal Democratic Party of Japan that has been in government since the creation of the modern pacifist Japanese state (except for the period 2009-2012) and Japan’s Industrial conglomerates known as keiretsu12 on the one hand, and the strategic coordination between the ROK state and the chaebols13 (big Korean conglomerates) on the other have both been equally important in producing the phenomenal growth witnessed in Northeast Asia in the 1960s and 1970s. Yet the perseverance of those close-knit relationships between governments and conglomerates has proved detrimental to further economic growth and liberalization, thus needing reforms in the financial institutions and the opening of national markets of the ROK and Japan.14 Agreements such as the ROK-US FTA and TPP will add

12 Steger, M., Roy, R. Neoliberalism (Oxford, Oxford University Press, 2010), p. 79
progress to those instances, while simultaneously pushing for further reforms and liberalization in the politics and economies of Asian states in accordance with American values, such as individualism, meritocracy, free market, constrained state interventionism and so on.\textsuperscript{15}

One can only conclude from the above that the pivot constitutes a diplomatic effort of military, economic, and value-led substance aimed at furthering cooperation and a solidification of the footprint of the US in the area. Yet, whether or not it consists a genuine pivot is questionable. The US has been present in Northeast Asia since the end of the second world war and has been highly responsive to Chinese provocations towards US allies. The dispatching of USS Independence and USS Nimitz to the Taiwan Strait in 1996\textsuperscript{16} not only proved that the US was prepared to honour commitments towards allies such as the Taiwan Relations Act and the ‘Six Assurances’\textsuperscript{17}, but also that China could act as a regional hegemon only as long as the US tolerated it.\textsuperscript{18} And this ‘checking’ of Chinese power has been consistent throughout China’s economic and military rise. Therefore, it is important to analyse the actuality of the ‘pivot’.

\textbf{The Pivot Revisited}

Hillary Clinton concludingly argues that “this kind of pivot is not easy, but we have paved the way for it over the past two-and-a-half years, and we are committed to seeing it through as among the most important diplomatic efforts of our time.”\textsuperscript{19} The idea seems to be formulated and entertained that it is exclusively under the Obama administration that focus and broader US diplomatic assets and efforts have been committed for the furtherance of economic integration and political/institutional reform in Asia, moving away from George H. W. Bush’s Middle East policy.

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\textsuperscript{17} Heritage Foundation, \textit{Asia – 2015 Index of US Military Strength}, no date. Available at: \url{http://index.heritage.org/military/2015/chapter/op-environment/asia} [Accessed 10 December 2017]


It goes without saying that during the Bush administration focus was centred on the Middle East, and specifically Iraq, Afghanistan, and Iran. This is evident throughout both National Security Strategy (NSS) reports of the Bush administration in 2002 and 2006. The 2006 NSS clearly emphasizes the administration’s commitment and resolve to act upon the proliferation of weapons of mass destruction. In this case, especially in view of North Korea’s 2005 nuclear detonation, the Bush administration showed commitment to regional allies and coordination with key regional partners, hence China, Japan, Russia and the ROK, leading to a joint statement in the Six-Party Talks (consisting of these regional key actors plus the US and North Korea) in 2005, that North Korea would abandon its nuclear programs.\(^{20}\) Regardless of the result these ‘commitments’ had to our day, it is clear that the idea of a ‘pivot’ shifting from the Middle East to Asia starts to fragment.

Another way to see the true extent of the ‘pivot’ is in material terms, especially the allocation of troops in Japan and the ROK. Drawing from Table 1, clearly, there have been active fluctuations of US troops allocated in both the ROK and Japan, especially the latter. Although between 2011 and 2015 there had been a steady increase in troops, the significance of such occurrence should be viewed macroscopically. The US has always maintained a solid material commitment to its pacific allies. US presence in Japan and the ROK has always been steady, regardless of increased focus in the Middle East in Iraq and Afghanistan with troops allocation peaking to 218,500 in 2007 for Iraq.\(^{21}\) The increase in troops in the Middle East does not signify a decrease in the value of the Pacific and the US assets invested in that region, and neither does the decrease in troops since 2011 in the Middle East signify a ‘pivot’ towards an area that has already been subjected to significant and steady investment of US foreign policy assets.


Moreover, the above reallocation of troops happened amidst military budget cuts each fiscal year following the Budget Control Act (BCA) of 2011, thus cutting down on US troops deployment in overall, 2011 being the peak of US troops deployed in recent years, totaling 566,000 servicemen and servicewomen to be exact. Since then, there has been a steady decrease in US troops. In the year of the concrete proposal/laying out of the ‘pivot’ in 2011, reportedly focus shifting towards the Pacific, the number of active US Army personnel peaked in Afghanistan, with 82,174 boots on the ground. Moreover, although Secretary of State Clinton in 2011 vowed support for the ‘pivot’ as an investment that will shape the relations between the US and potential and existing allies in the Asia-Pacific for the following years and despite Obama’s reaffirmation that only several hundreds of American troops will be sent to Iraq to consult and advise local partners in view of ISIS growing threat, there has been a surge in US troops in Iraq between 2014 and 2016, increasing committed assets to a little over 4.600.

Lastly, the diplomatic focus on Northeast Asia in terms of trade rules, economic, institutional and political liberalization and the

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22 Defense Manpower Data Center, DoD Personnel, Workforce Reports & Publications. Available at: https://www.dmdc.osd.mil/appj/dwp/dwp_reports.jsp [Accessed 10 December 2017]. This table constitutes a gathering of information on total US assets allocated to South Korea and Japan in respective reports for the years 2011 to 2016. These numbers represent a total of active duty military personnel from the Army, Navy, Marine Corps, Air Force and Coast Guard. Military and Civilian Personnel by Service/Agency by State/Country reports from September 2011 to 2016.


promotion of ‘universal’ values is hardly a novel one. The 2006 NSS elaborately stresses the importance of creating new or expanding existing markets in accordance with the free market and free trade rationale. With the purpose of promoting “structural reforms that encourage growth, stability, and opportunity across the globe” the Bush administration has coordinated with India, China and the ROK to effectuate such reforms, while it “urged China to move to a market-based, flexible exchange regime”, the last point being one of Clinton's in 2011 as well. Furthermore, the US-Korea FTA signing under the Obama administration does not claim novelty, but continued belief in a policy trend throughout the Bush years in the further integration through the liberalization of markets. In fact, the Bush administration initiated talks for the establishment of a FTA with the ROK, while doing the same with Thailand and Malaysia, and also focusing on China’s abiding by World Trade Organization (WTO) rules concerning the upholding of intellectual property rights. The fact that the NAFTA was signed by President Clinton does not take away the fact it was initiated during the Uruguay Round by President Reagan. The same stands in this instance.

Conclusion

The analysis above shows that Obama's policy ‘the pivot’, justifiable or not under the circumstances it happened, is a reaffirmation of continued belief in a US foreign policy trend in the Asia-Pacific, not an actual pivot. The US has not distanced itself from Asia, and especially its allies such as Japan and the ROK, in its quest to deepen bilateral and multilateral coordination in free trade and free market policies. The Bush administration, like the administration before, had engaged in further solidifying the US's position in the region diplomatically and economically, through institutions such as the WTO in order to converge local partners in abiding by its trade regime of trade liberalization and opening up of markets, but also by laying the ground for the signing of FTAs with Asian states in the future. In that sense, there has not been any pivot towards Asia, but a continuation of existent policy that is only natural for it to progress and acquire new ground. Moreover, an aspect of the ‘pivot’ policy was to disengage from the Middle East. In that respect, the diminution of active military assets in the area hardly signifies a pivot towards an area that has kept a steady number of active military personnel. Additionally, the decrease

in troops in the Middle East happened simultaneously with the passing of the BCA\textsuperscript{30} in 2011 which imposed restrictive controls on the defense budget. Lastly, diplomatic, but also military focus, never shifted away from the Middle East, as troops fluctuations in the region between 2011 and 2016 show. For the reasons above, the actuality of the ‘pivot’ is questionable, and so are the intentions of framing it as such by the Obama administration.

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The Commitments of the US Global Military post-1945

By Obinnaya Chukwu

The year 1945 signaled the end of the western Eurocentric coordination of global affairs. The world was inevitably left with two superpowers, with varying ideas of how to organize human society.\(^1\) This subsequently led to an expansion of global military entanglements by the United States (US) across the globe which was birthed by a combination of factors, but occurred primarily as a direct response to the threat posed by external entities.\(^2\) Consequently, the scale of global military obligations of the United States after 1945 became unprecedented, becoming part and parcel of the machinery of the United States well into the 21st century.

This essay will explore the motives for the expansion of U.S. global military commitments post 1945. First, the essay will outline and explain the origins of the post 1945 world and the gradual evolution of U.S. global military commitments; highlighting the growth of distrust and the eventual rise of insecurity, which led directly to expanded military obligations. The essay will then analyse other assertions, certain scholars hold accountable as the primary driver, and interlace it with the assertion that protection against external threats was the paramount reason, allowing one to appreciate the context of what a “security threat” meant to decision makers in the US after 1945. It will do this by drawing upon the existing literature and utilizing case studies to secure the argument satisfactorily. The essay concludes with analysing the comprehensive picture and defending suitably the position that; the primary driver of global military commitments by the US post 1945 was not originally a direct action but a direct reaction to the emergent external threats faced by the United States.

Origins of the whirlpool of distrust

To ensure an end to the ambitions of Nazi Germany, the US and the Soviet Union emerged as unlikely allies during the Second World War to neutralise this external threat. Nonetheless, after WW II there was a deep sense of distrust amongst the two powers.\(^3\) The end of the war signified the disintegration of "the old order" hitherto enjoyed by the great western European powers, and the world was left with two hugely influential nations in Europe, namely the United States and the

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Soviet Union; who pursued the same exact goal, security. John Lewis Gaddis asserts the disconcerting fact the Soviets had signed a pact with Nazi Germany in 1939 was still viewed suspiciously by the United States. He also maintains the Soviet Union harboured its own inhibitions as they had endured severe bombardment and degradation of infrastructure, and likewise suffered the most casualties during WW II; it is estimated approximately over 20 million Soviets perished. On the other hand, the US suffered zero bombardment of its mainland territory; as a result, it largely determined “where, when and in what circumstances it would fight” greatly curtailing casualties: “Just under 300,000 U.S. citizens died in all combat theatres”. It subsequently emerged as the most powerful industrial giant, responsible for 50% of the world’s total output. Furthermore, the notion of spheres of influence deducible from the agreement between Churchill and Stalin left areas “from Stettin in the Baltic to Trieste in the Adriatic” open to question. This kept the U.S. apprehensive of the fate of Europe and the potential impact to its own security. However, the most pertinent reason for distrust was the development of the atomic bomb by the allied powers with the exclusion of the Soviet Union. Even so, Stalin had considerable knowledge of the new weapon and feigned surprise when Truman informed him at the Potsdam conference. Though, the U.S. used the weapon primarily to end the war with Japan, Stalin was dismayed because the weapon put U.S. at an unfair advantage. The U.S. now owned the capability to destroy its enemies without putting boots on the ground, and this posed a crucial threat to Soviet security. Indeed, Stalin summarised this when he charged his scientists to belly up to the US, quipping “The balance has been destroyed... that cannot be.”

In the post-1945 world, the Soviet Union desired security for itself and for its “egalitarian” notion on how society should be structured, it believed the weight of history was on its side and anticipated a situation of competition amongst the capitalist powers that would lead to its eventual disintegration. Conversely, the US was a nation governed on the principles of self-determination and economic integration and sought to project these values abroad. Congruently, from a security standpoint, the bombing of Pearl Harbour signalled to the US that it could no longer maintain the pre-war values of isolationism and unilateralism. Therefore, key decision makers came to appreciate the certainty that U.S. security could be threatened by events unfolding across the Atlantic. It was now important to engage with the rest of the world on a broader scale to ensure its security.

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5 Ibid
9 Ibid
The evolution of insecurity

Scholars have examined the rise of U.S. global military commitments through the lens of a “security dilemma” and the term was defined in 1951 as “A structural notion in which the self-help attempts of states to look after their security needs tend, regardless of intention, to lead to rising insecurity for others as each interprets its own measures as defensive and measures of others as potentially threatening.”

Scholars such as Robert Jervis, however, contend that the security dilemma influenced the rationale of both states after 1945. He further argues the term is too simplistic to understand the expansion of military commitments; he maintains that the evolution of insecurity occurred because of the varying “social systems.”

John Mearsheimer, on the other hand, maintains states are driven to act to maintain security as a question of self-protection. This is because no state can say for certain the intentions of the other. Thus, according to this conceptualization, there can be no room for apprehension, as states have to increase their military capacity to deter others.

On the part of the US, there was no automatic inclination that the Soviet Union would take the title of prime external enemy once the threat of Germany and Japan was vanquished. It was a situation that evolved out of security concerns.

It is important to recognize the U.S. government had begun thinking of demobilization as early as 1943, and as soon as triumph was secured the plans of demobilization commenced. American troops were reduced from 12,209,238 military personnel at the height of the war to just over 900,000 by 1947, greatly reducing American omnipotence at the time.

Within this period (1946-1947), Stalin demanded territorial concessions from Turkey. Similarly, he delayed withdrawing troops stationed in Iran since 1942 and demanded a foothold in Libya and the Mediterranean. U.S. decision makers were not pleased with such developments and reacted by deploying the U.S. Sixth fleet “indefinitely” in the Mediterranean and dragged the continued occupation of Iran to

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the United Nations Security Council in 1946. The Kremlin’s actions baffled U.S. decision makers; it was around this point that the then chargé d’affaires at the U.S. embassy in Moscow, dispatched on February 22, 1946, what is known today as the “long telegram”. This singular document influenced the formulation of U.S. assessment of “external security threats” for the next 40 years and birthed the policy of containment.

The period before WW II was marred by the “Great Depression” and there was a growing apprehension in the US that fascism and communism would take root in areas of economic despondency after the war. The threat was amplified by the halting of British assistance to Greece and Turkey, and an emergent communist movement in France and Italy. As a result, in 1947 the US stepped in, with Truman stating it was now U.S. policy to “assist free peoples to work out their own destinies in their own way.” In June 1947, this was broadened to “The European Recovery Program” or colloquially termed “The Marshall Plan” which was a $13b package to aid European economic recovery. William A. Williams argues it was not an altruistic policy, but was intended squarely to augment American expansionist aims, and entrench its economic ideals as a way of boosting trade and creating a base for investment for U.S. corporations. However, the essay argues it was conducted not just to expand the “open door policy” but to solely ensure United States security. Mainly, because, in 1947, the Central Intelligence Agency (CIA) declared “The greatest danger to the security of the United States is the possibility of economic collapse in western Europe and the consequent accession to power of communist elements.” Subsequently, events encompassing the Berlin Blockade and the imposition of a communist government in Czechoslovakia propelled the western European countries and the US to create the North Atlantic Treaty Organization (NATO), pledging the US to the first “peacetime defence of western Europe.” Though economic rationale played a part in certain key decisions, one can appreciate the preponderance of countering the “external threat” of communism in crafting U.S decisions around this period. The formation of NATO went against all advice put forth by President Washington in his farewell

address. Nonetheless, the US undertook this key decision to ensure its security and that of its allies.

By August 1949, the Soviet Union had acquired its first Atomic Bomb. The repercussion for U.S. security was quite daunting. Also, in 1949, the Marxist inclined Mao Zedong successfully defeated his arch rival Chiang Kai-Shek, in the battle for China, and this stunned the world. Mao stated after his triumph, “we are firmly convinced that in order to win victory and consolidate it we must lean to one side.” In essence, this meant deferring to Stalin as leader of the global communist movement. Mao subsequently visited Moscow in December 1949. In February 1950, Mao and Stalin signed the “Sino-Soviet Treaty of Friendship, Alliance and Mutual Assistance.” The essay contends that the activities of these two nations greatly altered the balance of power and fundamentally challenged U.S. post-war security. The U.S. reaction to the preceding developments was an immediate need to regain military superiority. As a result, in 1950 President Truman approved additional funding for intensified nuclear research to create a “Super bomb”. The results were highlighted when on “November 1, 1952, the U.S. detonated the world’s first hydrogen bomb.” In addition, issued on April 14, 1950 and approved later in the year by the Truman administration was:

The National Security Council Paper NSC-68 (entitled “United States Objectives and Programs for National Security” and frequently referred to as NSC-68). [It] was a Top-Secret report completed by the U.S. Department of State’s Policy Planning Staff on April 7, 1950. The 58-page memorandum is among the most influential documents composed by the U.S. Government during the Cold War and was not declassified until 1975.

According to the report, the United States was obliged to embark on rapid military expansion of “conventional forces” and its “nuclear arsenal”, including the development of the hitherto mentioned hydrogen bomb, to counter the growing Soviet security threat. In addition, the report recommended an increase in military aid to allied nations, including the provision of nuclear technology. This led to a significant arms race and heightened tensions between the United States and the Soviet Union.
nations and utilization of “covert” means to accomplish certain aims and objectives. Though the report did not give any specific numbers regarding increment, the cost of these developments was estimated to be about $50b, effectively trebling defence spending from the $13b originally earmarked for 1950.\textsuperscript{27} The document is quite profound because it highlights clearly the pre- eminent reason the U.S. expanded its global military commitments, the recommendations in the document eventually became the basis for military expansionism for the duration of a Soviet “external threat”. On June 25 1950, buoyed by Soviet support, North Korea in an astonishing move, invaded South Korea. The US promptly responded by securing military assistance through the auspices of the United Nations Security Council and deployed its own troops to the Korean peninsula. This was quite significant as it influenced U.S. policy substantially and effectively further internationalized the external threats faced by the U.S..\textsuperscript{28} The early 1950’s was particularly intriguing; it was characterized by gradual proliferation of countries; birthed by the emergence of decolonization, and the popular term “domino effect” popularized by President Eisenhower. The political climate increasingly began to guide global military commitments. Consequently, the emergence of nationalist conscious governments in Egypt, Iran, and Guatemala in the early 1950’s deepened trepidations. For example, by 1954 the “threat” of communism in Vietnam had effectively created another menace to the stability of that region. As a result, in 1954 the U.S. ramped up economic and military assistance to the South Vietnamese government. According to the Office of the Historian, “United States used aid packages, technical assistance and sometimes even military intervention to encourage newly independent nations in the Third World to adopt governments that aligned with the West.”\textsuperscript{29} One can also argue that the expansion of U.S military commitments within this period was geared at promoting the American ideals of self-determination. However, the sheer scale of American military alliances during this period dwarfs such assertions. According to Best et al:

United States, for its part, created the most wide-ranging alliance system in the history of the world. This included bilateral pacts with Japan (1951), the Philippines (1951), Spain (1952), Taiwan (1954), and multilateral treaty organizations, such as in 1951 the Australian-New


Zealand–United States Pact (ANZUS), and in 1954 the South-East Asia Treaty Organization (SEATO). In the Middle East, the Baghdad Pact (consisting of Britain, Turkey, Pakistan, Iran, and Iraq), acted as the forerunner to the establishment of the American-led Central Treaty Organization (CENTO), [coupled] with the acquisition of numerous military bases from Greenland to North Africa and Japan, the United States was indeed keeping a global watch on the assumed designs of the [nascent] Warsaw Pact and the [established] Sino-Soviet alliance.30

This further elucidates this essays’ stance on the rationale behind the expansion of United States global military commitments. The wide-ranging alliances evolved to counter the ideological and military threat posed by the Soviet Union. According to Leffler & Painter, U.S. decision makers “intensified the perception of threat to prevailing concepts of national security.”31

Conclusion

Today, the United States is the preeminent military power, “with unparalleled naval and air forces, [and] owns a unique capacity to act militarily anywhere in the world, so as to pursue interests and to affirm what U.S. military planners explicitly call full spectrum dominance.”32 Nonetheless, it is crucial to appreciate that such expansion of global military commitments occurred primarily as a direct reaction to the security threats posed by the Soviet Union in the post-1945 world. As discussed in the essay, the perception of a “security threat” evolved and the assumption of superiority of United States values and ideals were also significant in steering United States global military obligations. Thus, as President Kennedy affirmed in a speech at American University in 1963, “We are bound to many nations by alliances, [and] those alliances exist because our concern and theirs substantially overlap.”33

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Bretton Woods: expanding the reach of the US Dept. of Treasury

By Arthur A. Scott

In 1944 a conference was held in a hotel near Bretton Woods, in the United States. The task of this conference was to reorganize the world economy in the aftermath of the Second World War. The need for a planned economic new world order was plainly visible after the turmoil of the Interwar (1919-39) years throughout the world, as war debts and mistrust caused the world economy to nearly collapse multiple times and led to the existence of ever more reactionary governments in Europe who eventually caused the Second World War. This time, however, US and British officials were determined to make sure that the world recovered after the war and did so quickly and sustainably. The conference itself was multilateral with all of the allied and non-aligned countries of the world invited. However, most countries were working to gain the most advantageous position within whatever framework emerged. The US and UK disagreed on what system to create with the US wanting a more US centric system and the UK wanting a more decentralized system. The result of the Bretton-Woods system was to create a framework to stabilize exchange rates around a single currency which was backed by gold as was advocated by Maynard Keynes. However, instead of being centred around a single supranational currency or ‘Bancor’, as Keynes penned it, at the insistence of US treasury officials like Harry Dexter White, the dollar was used as the benchmark against which all currencies and economic transactions would be measured. In addition, two new supranational financial organizations were created, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), both of which were created to assure stability and reconstruction. However, the circumstances alone of the conference provoked resentment as the British felt that the United States were using their position of weakness in order to force a disadvantageous system on them. In addition, given that the entire system was built around the US capital.

dollar and that the US controlled the majority of the world’s gold, the system was not so much based around cooperation but rather around the United States' policy objectives.

The Bretton Woods Conference was set in the midst of a transfer of power of sorts, as the United States took global pre-eminence from the British Empire, which led to much acrimony on both sides from behind closed doors. Up until this point in time, Anglo-American relations had always been strained as the Americans were still bitter about the British default on war debt. As such, cynical treasury officials and Congressmen were determined to make sure that the British did not have an opportunity to renge on their obligations. 7 For example, Roosevelt publicly explained lend lease as:

His neighbor's house is burning and his neighbor asks him to lend him his hose to put out the fire, "What do I do in such a crisis? I don't say... 'Neighbour, my garden hose cost me $15; you have to pay me $15 for it' ...I don't want $15 — I want my garden hose back after the fire is over." 8

However, although this was how the bill arrived before Congress by the time it had gone through, amendments had been made by which payment was required and reciprocal lend lease for which no payment was given was required from the British, which totaled $8 billion (about $120 billion today). 9 They were only required to put forward ¾ of the gold their quota mandated towards a gold pool required by the Bretton Woods system to stabilize exchange rates. 10 This attitude was symptomatic of the US government’s feeling towards the British and to a lesser extent the French, who would often complain in private that the United States was taking advantage of the war to further its own, anti-colonialist objectives. Their dislike of how the conference went only became worse when it later became apparent that the senior US delegate, Secretary of treasury Harry Dexter White, was a spy for the Soviet Union, 11 which even an impartial observer would acknowledge he unduly favored. The argument could be made that although forced cooperation is cooperation nonetheless, newly created hegemony for the United States at the expense of the British and the French, would only create resentment once the Second World War was over and they were no longer so reliant on the United States for aid.

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9 Ibid
11 Ibid
The aim of the Bretton Woods system was to stabilize exchange rates between states, which would facilitate exports and imports, thus accelerating the world’s recovery in the aftermath of the Second World War. The crux of the system is as follows: to put the entirety of world currencies on the gold standard to stop any exchange rate volatility, but without most currencies being pegged to gold directly, allowing them some leeway in the event of a crisis to devalue their currency compared to the dollar which would itself remain constant in its exchangeability with gold which would be consistently priced.\textsuperscript{12} The administration of exchange rates was left to the IMF, whose job was to assess whether a currency needed devaluing in the event of a deficit in the balance of payments of that country, which could not do so in excess of 10% without IMF approval. Moreover, the IMF and the IBRD were tasked with providing loans to states around the world to help them reconstruct their industries and later invest in these countries to provoke growth.\textsuperscript{13} This system, however, had a flaw and it was precisely what Keynes said it was at the time of the conference, that for the system to function the dollar had to remain an inviolable constant in terms of value and gold exchangeability, and if the dollar were to fall in value it would drag the rest of the world’s currency and would shatter trust in what was already a less stable system than a true gold standard being that technically Bretton Woods was only an anchored gold standard.\textsuperscript{14}

As a result of the Bretton Woods system, the dollar all but became Keynes’s ‘Bancor’. Keynes’s idea was similar in some aspect to the eventual Bretton Woods system, with one glaring exception: the lack of an International Clearing Union (ICU). The goal of such an institution was to function as a global trade exchange, which would function much like any form of trade exchange insofar as each participant would have a certain balance of credit (measured in Bancor) which it could use to trade having input money in the beginning to back the Bancor. In the event that a particular state ran too great a balance of payments imbalance, their surplus would cause their currency to increase of value, making their goods seem more expensive, or if they ran a deficit their currency would be devalued against the Bancor, causing their goods to seem cheaper, which would increase their exports. This would lead to all states attempting to retain a perfect balance of payments.\textsuperscript{15} However, Harry Dexter White, the head of the US delegation, preferred a system were the impetus would be entirely on the deficit running states, hence the IMF was created rather than the ICU.\textsuperscript{16} This was largely as a result of the fact that the US was running a record surplus on the balance of payments and had no wish to introduce a framework that would impede

\textsuperscript{12} Helleiner, E. States and the Reemergence of Global Finance: From Bretton Woods to the 1990s. (Ithaca: Cornell University Press, 1994)
\textsuperscript{13} Ibid
\textsuperscript{14} Steil, B. The Battle of Bretton Woods (Princeton: Princeton University Press 2013)
The consequence of getting rid of penalties for too great a surplus on the balance of payments in a fixed exchange rate market is that in the event of imbalances there would occur huge capital transfers which would only further worsen the situation. Moreover, the US further reinforced their position by making sure that the IMF could never become an ICU or penalize their economy should they suffer a deficit in the balance of payments by granting themselves a veto on all IMF decisions (this would later become a major reason for the collapse of the Bretton Woods system). This attitude is symptomatic of the US’s attitude towards the conference as they were more interested in advancing US interests and placing the US as the economic hegemon of the world than they were in creating a truly stable system. On a side note, this is not to say that the British position was entirely selfless, as Keynes and the British government he represented were very much in favour of creating a system that would force their creditors to buy their goods via the ICU’s correction system that would incentivize them to buy from abroad and in a sense force states to buy goods that they otherwise would not, which the Americans were understandably against.

The first hurdle for the Bretton Woods system, was the fact that the Soviet Union refused to ratify the agreement, calling the institutions created nothing more than “extensions of Wall Street.” At a stroke, Bretton Woods no longer included the third largest economy in the world (or second depending on whether you look at the sterling area/British Empire as a single bloc or put the United Kingdom on its own). Apart from this early setback, for the first 15 years the Bretton Woods system, alongside other US institutions such as the Marshall Plan, was instrumental in bringing about the post-war miracle that occurred in western Europe and South-East Asia. During this time the world economy underwent an economic boom as investors’ confidence was boosted by this new Pax Americana. Meanwhile, all countries observed the quota systems for paying in gold into the Bretton woods system perfectly and as a result all prospered as any imbalance of payments was immediately resolved by the IMF, although there was some resentment in the comparative affluences of peoples as the United Kingdom remained on war time levels of rationing until 1953 and lived in rubble while American citizens lived in comparative luxury. Moreover, Bretton Woods broke up exclusionary trade areas, such as those that existed within the British and French colonial empires, putting former dominions and colonies on the same level as independent nation states whose currencies could now be traded directly with the dollar as

18 Ibid
opposed to the past when they had to pass via the intermediary of the pound and their currency reserves were stored in the Bank of England. Overall, however, the early period of the Bretton Woods system, in conjunction with other forms of US aid, fulfilled its goals of stabilizing global markets and provided peace and welfare. However, how much of this is due to Bretton Woods when compared to the existence of more direct aid programs such as the grants from the Marshall Plan is difficult to assess.

By 1959 the amount of US dollars in circulation had exceeded the 1913 Federal Reserve Act statute which limited the amount of US dollars in circulation to a number backed at a rate of at least 40% by gold reserves.\textsuperscript{21} This had happened as a result of the Bretton Woods system working too well as countries held dollars as if they were gold itself, causing massive demand for dollars far in excess of the US’s ability to back the currency. This, coupled with the fact that the total amount of gold in circulation had only increased a few percentage points whilst the global economy had boomed, meant that keeping the price of gold at $35 an ounce was unrealistic in the face of the actual market price of $40 an ounce.\textsuperscript{22} This situation led to an overvaluation of the dollar by about 14 percent (or 1/7th the difference between 35 and 40) and subsequently meant that all other currencies pegged to the dollar were overvalued by a similar factor.\textsuperscript{23} This situation with certain less scrupulous states were reaping the rewards of rapid arbitrage by converting their dollars into gold and then selling the gold on the open market. The Americans solved this problem by ‘requesting’ gold from European states to create the London Gold Pool whose real task was to relieve pressure on US gold reserves and to introduce more gold to the market to stabilize its price at $35; at the expense of European gold being used to back the dollar’s inflated value,\textsuperscript{24} which was thoroughly resented by the British and the French who were already resentful of the “exorbitant privilege” that the US benefitted from having their currency become the world reserve currency. These privileges extended into multiple areas such as American banking being privileged by only having to deal in dollars when trading abroad. However, the most contentious issue was (and still is to an extent today) that in order for a foreigner to acquire $100 they need to provide a good or service, whereas all the US Bureau of Engraving at the Treasury needs to do is spend a few cents on ink (or even nothing today by creating it electronically).\textsuperscript{25} This huge rate of “Seignorage” (as the difference between the cost to mint or create a unit of currency and its nominal

\textsuperscript{21} Steil, B. \textit{The Battle of Bretton Woods} (Princeton: Princeton University Press 2013)
\textsuperscript{23} Ibid
\textsuperscript{25} Eichengreen, B. \textit{Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International monetary system} (Oxford University Press; 2012)
value is referred to, ironically derived from the mediaeval practice whereby a feudal lord was licensed to coin money and was permitted to keep for himself a proportion of the currency minted or the materials) was made worse by the fact that in 1959 there was $14 billion ($103 billion when adjusted for inflation) in circulation outside the United States which presumably had been exchanged for that much dollars’ worth of services or goods, a fact that infuriated many outside the US, such as French President Charles de Gaulle. Moreover, the perceived convenience and trust in the dollar accrued from the dollar being a reserve currency means that US bonds benefitted from an extraordinarily low interest rate in this period meaning that difference in between the rate of return for their investments and loans abroad was 2 or 3 percentage points above that of its financial liabilities, thus allowing the United States to run a large budget deficit without having to bear the consequences. However, by US Treasury standards the US could only back $3.2 billion of those dollars abroad given that priority was given to back dollars at home, but this is made worse by the fact that Treasury requirements for the dollar to be backed by gold was 40 percent, meaning that in reality the US was incapable of fully backing its currency should it have to.

By the Late 1960s the Bretton Woods system was showing massive strain as the cost of the Vietnam war had caused massive inflation as Nixon and his predecessors had used the upward demand of dollars as a cover to print more of them which in return was devaluing the dollar in real terms compared to gold. This in turn led to a Triffin’s dilemma (this refers to a situation where the interests of a currency issuer’s interests are paradoxical to the interests of the currency holder’s interests) as the best way for the United States to get rid of its deficit in the balance of payments was to abandon the gold standard. However, the diplomatic fallout of doing so without warning would be immense and if they announced their intentions beforehand, their already depleted gold reserves would be withdrawn immediately. In an attempt to stabilize the system, the IMF created the Special Drawing Rights (SDR). The SDR was for all interests and purposes the supranational currency advocated by Keynes in the first place. However, SDRs were pegged as having a value of one dollar making their existence little more than lip service to Keynes’s ideas in order to boost participating state’s confidence. This did little to slow the emerging run on the dollar and accelerating bull market for gold. Finally, the system started to break under the strain of oversupply of dollar compared to gold reserves. In the first hand the London Gold pool is shut down in an effort to stem gold trading until the market cooled down and gold returned to a

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26 Eichengreen, B. Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International monetary system (Oxford University Press; 2012)
27 Ibid
28 Ibid
29 Triffin, R. The world money maze: National currencies in international payments (Yale University Press 1966)
manageable value.\textsuperscript{30} However, Switzerland seceded from the agreement and redeemed $50 million ($303 million today) quickly followed by the French who converted their $192 million ($1.345 billion today) into gold.\textsuperscript{31} What takes place next is commonly referred to as the “Nixon Shock” as President Nixon shocked his closest advisers by deciding to abandon the dollar’s peg to gold with little to no consultation. The situation is best summed up by Nixon’s Secretary of Treasury’s remark to the G10: “The Dollar is our currency, but it’s your problem.”\textsuperscript{32} The ubiquity of the dollar was what the US Treasury hoped would save their now ‘fiat’ currency as the sheer amount of dollars in circulation gave its value and usage enough inertia to remain the benchmark by which economics is measured. This only happened to an extent as the dollar devalued by 10% overnight and would go on to lose a further third of its value over the 1970s.\textsuperscript{33}

The Bretton Woods Conference was very much a handing over of power to the United States, represented by Harry Dexter White, a staunch ‘New Dealer’ who in his vehement anti-imperialism and communist sympathies had a great dislike for the British Empire and in particular what he saw as the arrogant ‘Lord Keynes’.\textsuperscript{34} Moreover, the US was determined to play the part in the world that its power entitled it to. The United Kingdom, who wanted to preserve their power and was opposed to anything other than the application of Keynes’s International Clearing Union, a system that all states present broadly agreed with as the best way to organize the post-war world system.\textsuperscript{35} However, at the conference the United States perpetually hindered Keynes’s committee on the creation of an ICU whilst bribing other states with higher quotas in order to get the American slant on the ICU to become the Bretton woods system.\textsuperscript{36} This is what happened and the United States became the world’s economic hegemon, and for the first 15 years of the system it accomplished all of those goals in the statement above, although how far one can judge how much of this is attributable to Bretton Woods rather than the Marshall Plan and other schemes is difficult. However, a system that stretched the US’s resources to its limits when it was at the pinnacle of its power and influence was not capable of surviving the relative growth of the rest of the world compared to the US, whose economy grew rapidly but not in a manner comparable with West Germany or Japan. In the end, the

\textsuperscript{30} US Federal Reserve “Memorandum of discussion, Federal Open Market Committee”. (Washington DC, Federal Reserve, 1968-03-14)
\textsuperscript{31} Eichengreen, B. Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International monetary system (Oxford University Press; 2012)
\textsuperscript{32} Ibid
\textsuperscript{33} Ibid
\textsuperscript{35} Zhou Xiaochuan “Reform the International Monetary System”, Bank of International Settlements Review, 2010;
\textsuperscript{36} Steil, B. The Battle of Bretton Woods (Princeton: Princeton University Press 2013)
Bretton Woods system was victim of its own success but was incapable of surviving that success as a result of the deeply flawed American centrism that ruled it. Conversely had an ICU with an arbitrary Bancor been in existence then, currency shocks would have had no effect on it\(^{37}\) whereas the Bretton Woods system was not capable of surviving a run on the dollar or a run on gold and so would inevitably fail. In conclusion, American overconfidence created a world system that required constant American prosperity, stable American gold reserves and a level of economic Pre-eminence on the scale of 1945 to survive. Moreover, this system was constructed so that it could never harm American interest by making it incapable of self-reformation as the United States assured it would always control enough voting rights to veto any reform to the system.\(^{38}\) In the end, the Soviet Union was only partly correct, Bretton Woods was not an “extension of Wall Street,” it was an extension of the US Department of Treasury.

\(^{37}\) Zhou Xiaochuan “Reform the International Monetary System”, *Bank of International Settlements Review* 2010

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US economic preponderance since Bretton Woods: a story of continued decline

By Arthur A. Scott

The share of the US economy relative to that of the world as a whole is in decline and this is a trend that shows no sign of abating given the superior world average growth rate compared to that of the US.\(^1\) However, this is not a particularly new phenomenon as the US's share of world markets has been in relative decline since the 1950s as Europe rebuilt and Asia started to industrialise.\(^2\) This issue is also a political one and is at the heart of the discussion between scholars on the topic of unipolarity and its enjoyment by the US since the fall of the Soviet Union. The question therefore is given that this relative decline is part of the continuous rise and fall of great powers, how the US has planned for its decline, if at all, and whether it has reacted to it in any meaningful way.

The high point of American Economic Hegemony was undoubtedly the end of World War 2. The economies of its opponents, Germany and Japan, were utterly destroyed by allied bombing campaigns, most of European Russia and eastern Europe had been razed to the ground by some of the fiercest fighting of the war and scorched earth tactics, and its other allies had taken out an impossibly large amount of loans both monetary and in the form of lend lease.\(^3\) As such, the US, untouched by the war, had replaced the UK as the workshop of the world. This relative dearth in competition greatly helped US industry which started to boom thanks to the war contracts it had received and the need to rebuild Europe. Simultaneously, the various war bonds and loans to its allies would gradually be paid back, further increasing the liquidity of the US economy fostering greater spending on infrastructure and social programs such as the ‘G.I. Bill’ which paid for enlisted US soldiers who returned to go to university for free or secure a home mortgage loan and next to no interest. These factors made the US extremely wealthy and set the stage for even greater growth.\(^4\)

Parallel to this unrivalled prosperity at home, the US found itself the largest economy in the world (arguably it had held this position since the 1920s, if one did not account for the colonial empire of Great Britain as being constituent) and so the war-ravaged states of Europe

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\(^{3}\) Ibid

\(^{4}\) Ibid
looked to them for leadership. This leadership took the form of the Bretton woods conference, and the subsequent system. During the conference, the US delegation were keen to enforce US interests, to the point where the system disproportionally advantaged the US. In simple terms the Bretton Woods system, was a form of gold standard (a monetary arrangement whereby currency in circulation whose denominated value is reciprocally backed by its equivalent value in gold and may be exchanged for such), this gold standard was of the ‘anchored’ variety, whereby the US dollar was backed by gold, and other currencies’ value being ‘pegged’ at a certain exchange rate against the dollar, allowing them some leeway in revaluing if needed. The weakness of such a system however, is that the primary currency must remain constant in value compared to gold. This problem became ever more pronounced, as although the world economy boomed as a result of Bretton Woods, the available world reserves in gold only increased by a precious few percentage points. As a result, when the US’s balance of payments became negative as a result of a strong dollar and the rebuilding of European industry, the US treasury started to haemorrhage its gold reserves and all attempts to avoid revaluation pool failed, culminating in 1971 when president Nixon announced that the US dollar was no longer directly convertible with gold, ending the system and switching the world’s monetary zeitgeist to a fiat one (whereby currency has no real value, but rather is underpinned by the belief in its value). This event demonstrated the end of the positive leadership of the US, who from then on would no longer create new arrangements, but rather veto those it did not approve of.

In order to administer the Bretton Woods system and to advance prosperity and stability several transnational institutions were created. Three of those were the International Monetary Fund, the World Bank and the General Agreement on Tariffs and Trade (GATT). The World Bank has retained the same mission since founding, which is to aid the development of underdeveloped nations through loans and investment in infrastructure. The IMF and GATT, however, have changed considerably since the Bretton Woods conference. The International Monetary Fund’s goal was to oversee the value of those currencies pegged to the dollar, in order for the world economy to remain stable and prosperous. The end of the Bretton Woods system led to a reassessment of the IMF’s methods as there being no universal benchmark against which to plot struggling economies so that they

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7 US Federal Reserve, Memorandum of discussion, Federal Open Market Committee. (Washington DC, Federal Reserve, 1968-03-14)
8 Eichengreen, B. Exorbitant Privilege: The Rise and Fall of the Dollar and the Future of the International monetary system (Oxford University Press; 2012)
could readjust, it would be necessary for the IMF to take on a more ‘hands-on’ approach, whereby it dictates reforms in exchange for loans, instead of advising on currency revaluations to solve problems. More relevant to the question is the IMF’s leadership structure especially the way voting rights are distributed. Unlike the UN, the IMF’s voting procedures are based on votes being given to each voting member based on the size of their economy. In order for any large changes to the organisation, however, an 85% majority is required, and taking in mind the 16.83% share of voting rights held by the US, it can veto any initiative, in effect making sure it can never take action that would not be beneficial to the US. This veto means that the US retains a limited form of leadership within the organisation whereby it is influential enough to halt policy it does not agree with, but must coalition build and compromise were it to wish to make new policy.

The GATT and its evolution is an excellent way of charting the changes of US economic hegemony, insofar as how US involvement varies throughout it’s history. The origin of the GATT as the main international institution for discussing trade occurred as a result of the US’s refusal to sign the Havana charter. The Havana charter, which had been proposed by Maynard Keynes, would have brought into existence an ‘ITO’ or International Trade Organisation and an ‘ICU’, an International Clearing Union, whose goal would have been to adjust monetary values compared to an arbitrary benchmark in order to promulgate balances of payments close to net zero as in its members. Unsurprisingly given the US’s vastly positive export surplus, US Congress refused to sign the Havana charter and as such the GATT became the de facto forum for discussing trade in a unilateral manner, excluding the USSR which was only taking part in arrangements throughout COMECON at this point, in a futile effort to compete against Bretton Woods, which it hadn’t joined. The US’s refusal to be a part of any possible ITO which would function independently proves that there was a time when the US could overturn the rest of the world’s wishes on a whim, and would do so when it advantaged them. The subsequent creation of the EEC created a large trading block which could rival American hegemony in the capitalist world and disadvantage American firms in the European market. As a result of this development, the US called another round of GATT negotiations, which although agreeing on

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Ibid


new tariff cuts, these failed to completely break down tariff barriers between the US and EEC.17 The Dillon and Kennedy GATT negotiating rounds are the beginning of the end of US absolute leadership, as it became clear that the US could no longer simply refuse to take part in negotiations and cause proposals to fall apart as a result, such as the Havana charter.

As a result, we see a renewed impetus from the US on unilateral trade deals, and in 1973 the next round of GATT negotiations in Tokyo had more than double the number of participating nations with 102 delegations attending as opposed to 48 at the previous round.18 This push for unilateralism is as a response to the growing concern from the US at the growth of local trade groupings such as the EEC or ASEAN, which threatened to create free trading blocks in certain areas, causing US trade to become relatively disadvantaged. The next round of negotiations on the GATT went further in removing tariffs and particularly catered to less developed economies by making agriculture and food tariffs a primary goal of the talks.19 This development shows the growing trend in US policy making to be actively chasing new membership to the GATT in order to counteract the growing regionalist trend in trade deals and seek a way towards global free trade. This agreement led to the founding of the WTO whose mandate is the continuous pursuit and facilitation of trade agreements. The latest GATT round is the Doha round of negotiations and was not resolved before the set limit for negotiations to end. This round of negotiations is based around the usual facilitation of worldwide trade, but has remained unfinished as a result of profound disagreements. This failure is a blow to the free marketer nations of the global north, led by the United States, and a victory for the leadership of the global south who have foiled what they view as an agreement that would harm their interests without undergoing any significant fallout.20 The failure of the Doha round of negotiations demonstrated that the WTO does not have the power to force its agenda on the world, let alone the US.

Meanwhile, despite their continued efforts at unilateral deals via the GATT rounds and the WTO, the US chased deals closer to home with its neighbours and in 1988 signed a free trade agreement with Canada, which was later expanded upon by the addition of Mexico to the agreement, creating the North American Free Trade Agreement (NAFTA). This free trade Area was exactly that, a complete abolition of tariffs and barriers to trade in between its constituent states.21 The significance of this is that it shows that by that point the US had come to the conclusion

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19 Ibid
20 Ibid
21 Zarate-Ruiz, A. A rhetorical analysis of the NAFTA Debate (Boston: University Press of America, 2000)
that their interests would no longer be best served by only pursuing free trade on a global scale and that a multiple level approach was the best course. Although this in itself is not a direct admission on the part of the US that it is no longer the hegemon of the capitalist world economy, it weakens the narrative that global free trade is the most desirable goal, ahead of regionalism, when the US indulges in regionalism as well. The next free trade bloc the US attempted to integrate was the Trans-Pacific Partnership (TPP) whose goal was to completely eliminate trade barriers and tariffs between its member by 2015. The TPP was a large undertaking and included many countries including Latin American and South East Asian nations, and with the addition of the USA would have been the largest free trade area in the world, exceeding the EU. The US’s involvement was partially secured by Japan, and occurred as a result of the apparent Japanese interest in a form of free trade agreement with South Korea and China, using their cooperative agreement in 2011 with these nations as a bargaining chip with which to entice the US to the negotiation table. This subtle blackmail demonstrated that the US was no longer willing to take the risks entailed by its former ‘imperious’ negotiating style such as during Bretton Woods and symbolised a great loss in American confidence in their preeminent position. The American membership to the TPP has since been rescinded by President Donald Trump who believes that America has more to gain from bilateral agreements in which its greater size in economic terms will allow it to get a better deal.

Although so far it would appear as if the US’s position has been in continuous decline and the institutions whose creation it pushed for have become ineffective irrelevances, there are several examples of success on the part of The US to get their way and assure the primacy of these unilateral organisations. An excellent example of this occurred during the Asian financial crisis in 1997, which occurred mostly as a result of an excess in the money supply for several East Asian countries, who had nominally pegged their currency to the dollar and whose inflation rate had gradually made their dollar reserves insufficient to maintain their fixed exchange rate. As a result, several countries saw their economies spiral out of control and when they asked the IMF for bailouts they were displeased by the stringent conditions they would have to meet in order to receive a bailout. This resentment led to the questioning as to why they had so little leverage within the organisation and with Japan taking the lead they sought to create their own Asian

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25 Ibid
26 Lipscy, P. Japan’s Asian Monetary Fund Proposal (Stanford journal of East Asian affairs, 2003)
27 Ibid
Monetary Fund or AMF. 28 This led to an immediate reaction for the US who said that this proposed body would only serve to undermine the IMF and cause continued instability by not attaching enough conditionality to its loans, or would be superfluous and remove out a large amount of money from circulation in the midst of a recession. 29 The US also took this as a personal afront from Japan, with the US Department of Treasury Deputy Secretary, Larry Summers, angrily demonstrating his Japanese counterpart Eisuke Sakakibara, starting with “I thought you were my friend.” 30 The strength of the US reaction and the displeasure they and the IMF communicated to the would be members of the AMF quickly convinced them to drop the proposed body. This incident demonstrated that, although the US may not always pursue an active leadership role around the world, it is extremely willing to use its full diplomatic might in order to protect 'its' institutions and making sure they are not undermined.

In conclusion, the leadership of the US, particularly its unipolar nature, was fleeting, only in the immediate aftermath of the Second World War was the US the undisputed economic lodestar for the rest of the world to follow. As such, when the remainder of the world recovered from the war and began to experience the positive effects of the Bretton Woods system, the US's share of global GDP comparatively declined from the level required to maintain its unipolar institutions, leading to their restructuring into less comprehensive systems. Additionally, the formation of trade blocks (EU, COMECON...) which relatively disadvantaged US trade occurred as a result of the US's unwillingness to take part in agreements that disadvantaged them and the nascent Cold War. This led to a duality of US strategies, the pursuance of global free trade agreements and engagement in regional partnerships, which while not exclusive seemingly weaken the US's resolve to put global deals first and assume a more leader like role. However, the real reason that the US does not play the leading role is that it does not represent enough of a share of global trade to be absolutely indispensable to any trade agreement, and so whilst it retains a leading role as befits an economy of its size it has to make do with plurilateral and regional agreements.

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US hegemony is not over

By Peter Barrow

Francis Fukuyama, in his 1992 book “The End of History and the Last Man”, elaborated in detail his argument that Western liberal democracy had won, and was the final form of civil government in human history. Fukuyama’s argument coincided with the fall of the Soviet Union, and marked the dawning of an American hegemony, where the United States (US) was the dominant power in a unipolar world. The primary argument of this essay is that the US is still the dominant power. The US still exerts a considerable amount of soft power, which is a massively understated factor, and possibly the key factor, in the power of a nation-state. Other reasons to argue that US hegemony is not over are; that the US is still the largest military power and holds significant strategic influence, and that potential rivals have significant problems. This essay will consider threats to US hegemony, such as the rise of China, Russia and the BRIC states, as well as examining the US decline after 9/11 and its current state of division.

The first argument against this statement is that the US is still the dominant military force in the world. It has a considerably superior number of strategic bases around the world, 800 in 70 overseas countries and territories. The UK, France and Russia have a mere 30 combined. This not only proves the US has significant military power, but proves its strategic influence on governments across the world. Whilst Russia, China and others also hold strategic influence on some governments, it is generally not as global as that of the US. Leslie E. Armijo believes that the ‘Brics’, although globalised, are still emerging powers. Additionally, Armijo explains that militarily the world is still very much unipolar. She explains that, “in 2006 the United States alone accounted for an astonishing 45.7 percent of world military spending. Britain, with the next largest share, contributed only 5.1 percent.” China, Russia, and India accounted for “4.3, 3.0, and 2.1 percent, respectively.” Although the US does not have the largest military by personnel, it is the best equipped and supplied in the world. It has by far the most aircraft carriers, nuclear submarines, and attack helicopters. Despite

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1 Fukuyama, F. *The End of History and the Last Man* (Free Press, 1992)
2 Vine, D. “Where in the World Is the U.S. Military?” *Politico Magazine*
3 Armijo, L. “The Brics Countries (Brazil, Russia, India and China) as Analytical Category: Mirage or Insight?” *Asian Perspective* Vol. 31, No. 4 (2007) p. 16
4 Ibid, p. 17
this, the US has slightly less nuclear weapons than Russia, \(^6\) which are arguably the most important weapons in the world. However, they are almost matched in number. Nuclear weapons are also not really a key indicator of military power, as they are very unlikely to be used, and only exist as a threat. Although nuclear weapons are part of why the US has been the dominant world power, it is not as much of a factor as soft power, or other military considerations as discussed above.

The US still holds by far the largest amount of soft power capabilities. Carnes Lord said that soft power “has had a great deal to do with the rise of the United States to its currently dominant global role.”\(^7\) The US is the world leader in many types of soft power, which conserve and reinforce its global standing as a hegemon. One example is through its American culture. The film industry is one of America’s biggest exports. It is the largest film industry in the world and is much larger than the film industries of geopolitical rivals, such as China.\(^8\) The United States also has some of the most easily recognisable brands in the food and drink industries. McDonalds and Coca-Cola are world renowned brands, so much so that they are imbedded in world culture. Coca-Cola is the 3rd biggest food company according to Forbes.\(^9\) In the fast food industry, the US has a massive worldwide appeal, with its largest chain by number of locations, Subway, possessing 10 times as many stores as its closest non-US rival, Hortons of Canada.\(^10\) More generally, the US also has the world’s biggest company, Apple, which has over 3 times the brand value of its geopolitical rival China Mobile, China’s biggest company.\(^11\) Another way in which America uses soft power efficiently is through disaster relief missions. Capie believes that the US has begun to use this as a way of combatting the changing nature of security threats and changing attitudes about the use of force.\(^12\) David Capie gives the example of Operation Tomodachi in 2011, a response to the respective earthquake in Japan. He notes that after the operation, “no fewer than 82 per cent of Japanese surveyed expressed a ‘friendly feeling’ toward the United States, the highest percentage since the poll

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\(^8\) Ying, Z. "Film as soft power and hard currency: The Sino-Hollywood courtship" *China Policy Institute: Analysis* (5.7.2017)

\(^9\) McGrath, M. "The World’s Largest Food And Beverage Companies 2016: Chocolate, Beer And Soda Lead The List" *Forbes* 27.5.16


\(^11\) DATABLOG. "China v the US: how the superpowers compare" *The Guardian* 7.6.13

\(^12\) Capie, D. "The United States and Humanitarian Assistance and Disaster Relief (HADR) in East Asia: Connecting Coercive and Non-Coercive Uses of Military Power" *Journal of Strategic Studies* 38 p. 309-331
began in 1978.” The US also achieves the same outcomes with educational programs, which also present an opportunity to teach US values. US values can seem very appealing. The American ideals of freedom, equality, competitive capitalism and justice still have a certain unique allure. Especially when considering potential geopolitical rivals China and Russia, where not all of these values are present. Both Russia and China have attempted to rival the soft power of the US. However, the inventor of the term 'soft power', Joseph Nye, has argued that “their repressive domestic policies and state directed programmes disregard the creative power of civil society and are destined to fall far short of their goals.”

However, the US has experienced a significant decline in its soft power since 9/11, which has seriously damaged its world dominance. Nye believes that US dominance is in serious threat because of the decline in its soft power. He argues that since the Cold War, the US has neglected soft power. He also argues that by 2003, anti-liberal dictators in the Middle East had managed to eliminate the liberal opposition, and managed to use American culture to their advantage, portraying it as being against their values. Others, such as Joshua Kurlantzick, have argued that the US decline in soft power has been accelerated by ‘The War on Terror’. Kurlantzick argues that ‘anti-Bush sentiment has translated into anti-Americanism’. He argues that the war ‘excesses’ such as Guantanamo Bay, have brought US values into question. Since the 2003 invasion of Iraq, America’s role in the world has been questioned like never before. Nye has also previously criticised the US use of soft power during the War on Terror, arguing that the US focus on hard power during this time has damaged its ability to combine soft and hard power together in the future. Soft power is the key factor in a state’s international standing. If US soft power is weakened, then it may accelerate its decline. However, any potential actors in a multipolar system still have some way to go before their soft power matches that of the United States.

The US is not alone in its recent problems with soft power. The three countries most often cited as being the potential rivals to US hegemony, Russia, India and China, have all had their problems with soft power too. Rutland et al give several reasons why Russia is

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13 Capie, D. “The United States and Humanitarian Assistance and Disaster Relief (HADR) in East Asia: Connecting Coercive and Non-Coercive Uses of Military Power” Journal of Strategic Studies 38 p. 309-331
17 Capie, D. “The United States and Humanitarian Assistance and Disaster Relief (HADR) in East Asia: Connecting Coercive and Non-Coercive Uses of Military Power” Journal of Strategic Studies 38 p. 309-331
significantly behind the US in soft power.\(^{18}\) Firstly, it is argued that Russia has a soviet legacy which damages soft power. The Soviet Union was portrayed negatively by authors such as Orwell and Herberstein, and was associated with purges and oppression by many. Secondly, the Russian economy’s transfer to market capitalism has been too rough, and a strong economy is key to good soft power. Thirdly, Russia’s involvement in Georgia, Ukraine and Syria have portrayed Russia as a brute force power. The last reason is not dissimilar to US soft power during the War on Terror, there is a clear link between the use of soft and hard power. India also has its problems with soft power. Christian Wagner argues that the debate between national interest and morals and values is yet to start in India, which prevents it from using its soft power to increase its international standing. Instead, India has adopted ‘defensive soft power’, using it to attract investment, but not to exert influence.\(^{19}\) Until India’s use of soft power improves, it will not be a direct rival to the US. Finally, China’s soft power is also limited. Gill and Huang argue that China faces domestic socioeconomic issues and serious income disparity, and a lack of recognisable Chinese brands despite powerful cultural resources. They argue that these factors, combined with a lack of political reform and support for dictators, limit the world view of China being positive.\(^{20}\) Although China has had more global soft power success than Russia and India, it still lacks behind that of the US.\(^{21}\) As evidenced thus far, the US does have significant soft power problems, but so do its potential global rivals.

The world image of the US, its international standing, and its unity have all taken a hit since the 2016 US Presidential Election. The main reason for this is the sheer amount of division that it caused. In a pre-election survey, 72% of Donald Trump supporters said American society and way of life has changed for the worse since the 1950s, while 7 in 10 Hillary Clinton supporters said things have changed for the better.\(^{22}\) This one issue illustrates clearly the division between Trump and Clinton supporters. This division has negative effects on America’s world standing. It makes policy harder to push through (if Congress and the Senate go on to reflect this division in their upcoming elections), and sends out a divided image to the rest of the world, damaging US soft power. The second reason in which the 2016 election has weakened the US is, arguably, the electoral success of Donald Trump. A 2017 survey found that only 11% of Germans, 5% of Mexicans and 22% of British participants had confidence in President Trump to do the right


\(^{19}\) Wagner, C. “India’s Soft Power” *India Quarterly* 66 p. 341


\(^{21}\) Ibid, p. 27

thing regarding world affairs. However, the same article also comments that "America still wins praise for its people, culture and civil liberties." This indicates that the US maybe have a certain amount of prestige which is almost untouchable, no matter who the president is. However, there is evidence that Donald Trump may have damaged America's national standing. The most recent evidence for this relates to his decision to recognise Jerusalem as Israel's capital. After this decision was taken, condemnation came from around the world, including Turkey and France. Further condemnation came from the Arab League, which, crucially, warned that the US can no longer be an honest broker in Middle East peace talks. Some members (many of which are US allies) even called for sanctions against the US and a boycott of US businesses. This damages America's international standing, leaving it with less Middle-East influence, and damages its relations with nations in the region. It would not be surprising to see the US decline further during the Trump presidency. However, Trump will only be in power for 4 or 8 years (discounting a possible impeachment), and it is questionable how much damage can really be done in this relatively short period of time.

It is true that potential rivals to American hegemony are developing. The most threatening to the United States are India and China. Of these states, China is the one that seems best poised to break the US hegemony. Mohammed Nuruzzaman notes that "China is the principal lender in Latin America, the prime investor in the African energy sector, the largest buyer of Middle Eastern oil and holds the financial lifeline of the US economy with a total purchase of over US$1.317 trillion in treasury bonds and notes." This makes China a serious financial rival for the US, which contributes significantly to the amount of overall power a state has. Nuruzzaman also notes that there are two schools of thought about the rise of China, the 'alarmists' and the 'deniers'. The alarmists believe that "an economically dominant China will gradually widen and deepen its footprints in the military, political and cultural spheres." If we are to believe the 'alarmists,' the world will not become multipolar, but unipolar under China. There is little doubt that China is now an economic superpower, but even the 'alarmists' use the term 'gradually', indicating that there is still some way to go until China becomes the dominant force. Of course, the world is not as simple for one to simply say 'eventually China will overtake

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23 Wyke, R. Et al. “U.S. Image Suffers as Publics Around World Question Trump’s Leadership” Pew Research Center 26th June 2017
24 Ibid
26 Baynes, c. “US allies among Arab states urging Donald Trump to reconsider Jerusalem move” The independent, 10th of December 2017
27 Nuruzzaman, M. “China’s rise, the USA and global order: Contested perspectives and an alternative approach” International Area Studies Review 19 (2016) p. 178-179
28 Ibid, p. 179
the US', a lot can change in a short space of time. Therefore, it seems hasty to say that China has already ended US hegemony. India is another country growing, both economically and in influence. However, Manjeet Pardesi believes that India is yet to establish a hegemonic regional order in South Asia, mainly due to its rivalry with Pakistan. If India is not yet dominant in its own region, then it is still some way from threatening US hegemony. Academic Jonathan Adelman, writing in Forbes Magazine, produced a damning indictment of both India and China's potential to rival the US, arguing that “China suffers from massive official corruption, one party Communist rule, lack of creativity and grotesque social stratification. Its massive air, water and soil pollution problems kill 1.2% of Chinese a year” and “India has a weak infrastructure, GDP/capita ($1,500) at 138th place in the world that is barely 3 percent of the American figure and massive corruption.” Adelman is also damning of Russia’s prospects of rivalling the US, pointing out its lack of soft power and poor economic standing in comparison to the US.

In conclusion, whilst the US is on the decline slightly, it is far too hasty to say the era of US hegemony is over. The US still has a huge soft power advantage over any potential challengers. It is an area that the US seemed to have got right as a result of the Cold War, and on that front, it is unchallenged. Furthermore, the US still has the most influence militarily and strategically. China, Russia and India have a long way before they catch up to the US militarily. Simply put, US hegemony will remain for the short to medium term because potential contenders lack the resources to overcome the US as of yet. Again, all potential rivals are behind the US in both soft and hard power, but the crucial point is that they all have their own problems too. Whilst the US has its problems, China, India, Russia and others have their own problems that stop them growing powerful enough to break the US hegemony. As the old political saying goes “you can’t beat someone with no one.” And right now, there is no one threatening to break the US hegemony.

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30 Ibid
32 Ibid
33 Ibid
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