NEOLIBERALISM - NEOIMPERIALISM

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1 - Capitalism: Its new phase and old traits

It is always difficult to locate with precision the origin of a complex phenomenon such as the phase of capitalism, known as *neoliberalism*.[1] The decision, in 1979, by the Federal Reserve to increase interest rates at any level required to curb inflation can, however, be considered as an emblematic event testifying of a deep transformation in the dynamics of capitalism. This was a political move that we call the *1979 coup*. Subsequently, and during now more than 25 years, neoliberalism has defined a new course of capitalism, at the center as well as at the periphery. It seems now clear, however, that the year 2000 marked a significant break, with the devastating crisis in Argentina (its economical, social, and political aspects), the recession in the United States, the decline of the stock market, after so many years of craze, and its partial recuperation, the return of interest rates to pre-neoliberal levels, etc. These symptoms of a significant transformation were considerably strengthened by the shock of September 11, 2001, and the wars in Afganistan and Iraq. New political and military trends now supplement the changes in the economy, and it is difficult to treat separately these various components of a multifaceted reality.

Neoliberalism can be defined as a specific *power configuration* within capitalism, in which the power and income of the capitalist class have been restored after a period of set back. Given the rise of financial income and the new progress of financial institutions, it can be described as a new *financial hegemony*, which echoes the first decades of the 20th century in the United States.

To understand the nature of neoliberalism, it is important to recall the main characterics of the previous phase. The power and income of the capitalist class had been diminished in the wake of the Great Depression and World War II. During the *Keynesian compromise* (between the war and the late 1970s), the managers of private corporations (in the management of their firms) and public officials (in the definition of policies) developed more autonomous behaviors, in which the power and privileges of the capitalist class were considerably reduced, though not radically offset. Growth, employment, and technical progress tended to become rather autonomous targets independently of the remuneration of ownership (in dividends and interest). A large fraction of profits remained within firms and was invested productively. The profitability of financial institutions was typically low (in particular in the context of the public ownership of financial institutions). In some countries, such as Europe and Japan, and countries of the periphery, alternative frameworks, often labeled "mixed economy", were implemented, and proved very efficient. The state was strongly involved in economic affairs; in some cases, the property of entire sectors of the economy was transferred to the state. The United States underwent similar transformations but to considerably lower extent than Europe or Japan.

The structural crisis of the 1970s and the rise of inflation encroached even more considerably on the income and wealth of the capitalist class. This can be easily understood in a situation where real interest rates were practically equal to zero or negative, profits and dividends were low, and the stock market depressed. Between World War II and the

1. G. Duménil, D. Lévy, *Capital Resurgent. Roots of the Neoliberal Revolution*, Harvard: Harvard University Press (2004).

early 1970s, the one percent richest fraction of households in the United States used to hold more than 30% of the total wealth in the country; during the first half of the 1970s, this percentage had fallen to 22%.[2] Neoliberalism was a political coup aimed at the restoration of these privileges. In this sense, it was highly successful.

Contrary to neoliberalism, imperialism does not define a particular stage of capitalism, but one of its basic characteristics from its origins to the present. Lenin's witnessed a quite specific configuration of imperialism, marked by the rivalry among major imperialist countries, as it culminated in World War I (when the the United states was emerging as the major capitalist economy and power). This world was that of colonial empires and capital exports. After World War II, this multipolar configuration of imperialism, was replaced by the bi-polar confrontation of the Cold War and, since the collapse of the URSS, we live a unipolar imperial world. This does not mean that the United States is the unique imperial power, but that the hegemony of this country is now well established.

By imperialism, we mean the capability of the most advanced countries to extract profits from the rest of the world. The pattern of accumulation is also at issue, as imperialist countries may export their capital; but it is also the case that the capitalist classes of other countries invest their capital in countries of the center. Violence is directly at issue in this process of domination. Plain economic violence takes the forms of the opening of trade and financial frontiers between countries of very different levels of development, with dire consequences for the less advanced; the debt of less developped countries, in the context of large real interest rates, is a manifestation of such patterns of exploitation. But violence also takes its traditional straightforward forms: that of corruption, subversion, and war. In this respect, imperialism must be understood as a broad set of economic, political, cultural, etc., practices, and cannot be reduced to any of its component in isolation.

The paper first recalls the main features of neoliberalism (section 2), which are basically common to the United States and Europe. Then, the present configuration of U.S. imperialism is discussed, in relation of the specific caracteristic of the neoliberal decades in the United States, which are the expression of the present international domination of this country (section 3). Perspectives for the future are discussed in the conclusion.[3]

2 - Neoliberalism: Major traits common to Europe and the United States

This section is made of three sections dealing with the analysis of neoliberalism, mostly on economic grounds.

2. E. Wolff, *Top Heavy*, New York: The New Press (1996).
3. The paper completely abstracts from basic issues such as the future of humanity and of the planet earth.

2.1 Neoliberalism coincided (from the mid-1980s onward) with the assertion of technological and distributional trends more favorable to enterprises.

This section considers the major technical and distributional trends that underlie the above periodisation of capitalism since World War II. These trends are approached in a macro perspective: labor productivity, capital productivity, and the profit rate. The unit of analysis is the U.S. private nonresidential economy (later denoted as U.S. private economy), and some comparison is made with European countries. The following features are noteworthy:

1. *Labor productivity* (Net Domestic Product or NDP, in constant dollars, per hour). Abstracting from the impact of recessions, labor productivity manifests a constant upward trend since World War II, though at changing rates. While it increased rapidly during the first decades after World War II (a growth rate of 3.5% between 1948 and 1966, the average growth rate was lower from the late 1960s onward (1.6% between 1966 and 2003). The recovery during the last years remains limited.

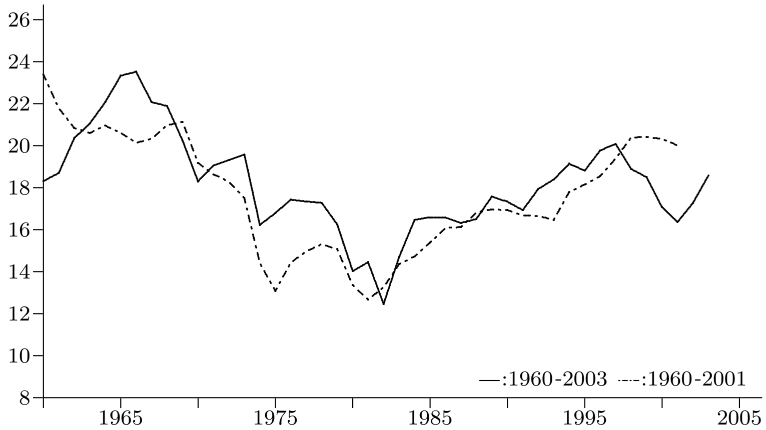
2. *The output per unit of fixed capital, or "productivity" of capital* (the NDP per dollar of capital, both in current dollars). A succession of periods of increase and decline are observed in the profile of this variable. Considering the period 1948-1984 globally, a phase of decline is apparent; then, from 1984 onward, a new upward trend was asserted.

3. Combining the two variables, three periods can be identified with 1965 and 1984 as transition years. The second period appears particularly unfavorable, since the productivity of labor grows slowly, in comparison with the first period, and capital productivity is still declining. The third period, the decades of neoliberalism, reveal an upward trend of capital productivity.

4. As shown in figure 1, the unfavorable conditions prevailing during the second period resulted in a declining profit rate (——). The diminishing profit rate and its low values were the fundamental factors of the structural crisis of the 1970s. The figure also documents the new upward trend of the profit rate from the mid-1980s onward. It is the combination of the restoration of capital productivity and the slower grow rate of the labor cost which allowed for the new upward trend of the profit rate. (In the United States, this movement was interrupted in 1997, in relation to a sharp rise of upper wages.) We interpret the rise of capital productivity as the effect of an increase of managerial (technological-organizational) efficiency. One factor was the implementation of the new technologies of information, computation, and communication, typically the technologies of management. (At the end of 20th century in the United States, information and communication investment amounted to about one half of total investment in equipment, the other half being made of machinery, transporation equipment...)

Similar technological and profitability trends were observed in Europe, at least within the three countries: France, Germany, and the United Kingdom, considered globally (see figure 1 for the profit rate in the average of the three countries). Overall, the two neoliberal decades appear as a period of restoration of the profit rate.

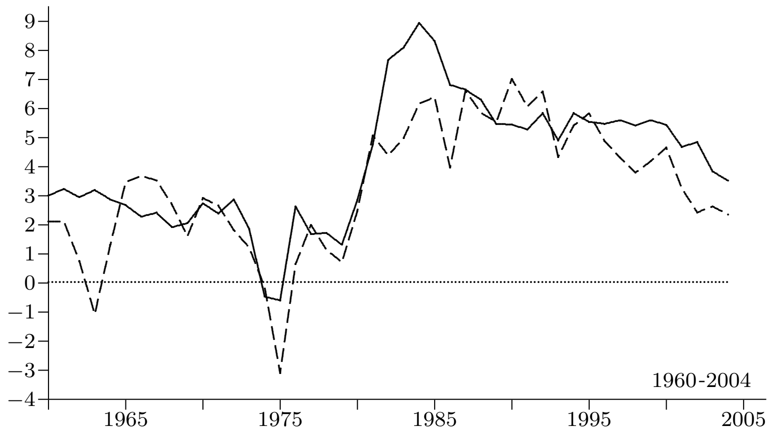
Figure 1 Profit rate (%): Europe and United States, private economy



United States: (——)
Europe: (-·-·-)

Europe refers to the three countries: Germany, France, and the United Kingdom. The profit rate is the ratio of a broad measure of profits (output minus the total compensation of labor) to the fixed capital stock, net of depreciation. Thus, indirect and profit taxes, interest, and dividends are still included within profits.
Source: NIPA (BEA); Fixed Assets Tables (BEA); OECD.

Figure 2 Long-term interest rate (%): France and United States



United States: (——)
France: (— —)

These are rates charged to the best rated corporations (AAA).
Source: Federal Reserve; OECD.

2.2 Neoliberalism created new income flows in favor of high incomes.

Neoliberalism restored the income of the capitalist class, paying very high "wages" at the top of the income pyramid, and draining large income flows toward the owners of securities in the context of low inflation rates. Figure 2 shows the profile of long-term real (that is, corrected for inflation) interest rates in the United States and France. The rise after 1979 was dramatic, substituting largely positive rates for the very low rates of the 1970s. Large long-term real interest rates remained a characteristic feature of neoliberalism, up to the break of 2000. The rates plotted in figure 2 concern enterprises (with the best rating), but the burden of large interest rates was also placed on the state, households, and indebted countries of the periphery. A large stream of income was, thus, created to the advantage of lenders: rich households or financial institutions.

A similar evolution was observed concerning the distribution of dividends. In 2000, pratically 100% of profits were distributed as dividends, both in the United States and France. Paralleling this lavish remuneration of ownership, the stock market rose to outstanding degrees. In the United States, the ratio of equities at market value to the net worth of nonfinancial corporations (known as Tobin's q) peaked at 1.06 during the second half of the 1960s, fell to 0.33 during the structural crisis of the 1970s (at the end of the decade), before soaring to 1.89 at the beginning of 2000[4]! This rise of the stock market index was not specific to the United States. The same movement occurred in France, the United Kingdom, and Germany.

2.3 The new corporate governance and the transfer of profits to the wealthiest classes was detrimental to accumulation.

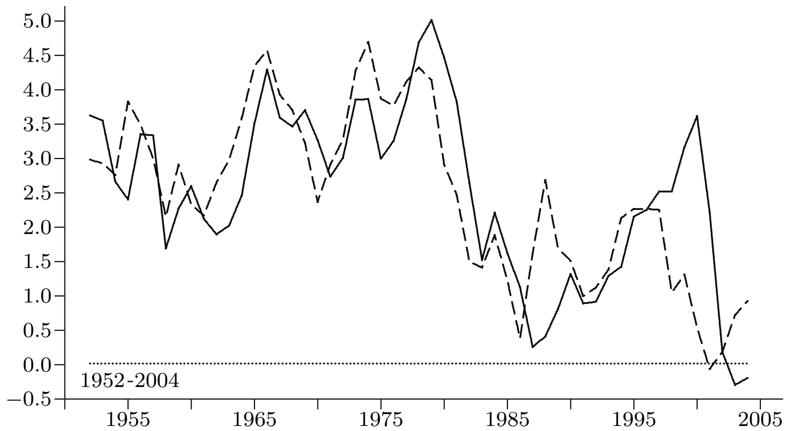
This section considers the rythm of accumulation. The rate of accumulation is defined as the growth rate of the stock of fixed capital, more precisely, the ratio of net investment to the stock of fixed assets, also net of depreciation). The main finding is that this rate considerably diminished in the wake of the structural crisis of the 1970s and was not restored during the decades of neoliberalism. For simplicity, we will only discuss this phenomenon for nonfinancial corporations.

The rate of accumulation of U.S. nonfinancial corporations is shown in figure 3. The decline during the neoliberal decades is clearly evident in the figure. The boom, in the United States, during the second half of the 1990s, represented a dramatic though ephemeral restoration, that we will not discuss here. This decline was even more dramatic in France. During the early 1970s, the accumulation rate in France was about 8%; it fell sharply during the structural crisis and no restoration happened with neoliberalism, with levels of approximately 2% or less. Globally, these low accumulation rates are puzzling. It could have been expected that the interruption of the decline of the profit rate and the new upward trend, as documented in figure 1, result in larger accumulation rates.

The most straightforward way of accounting for the dynamics of accumulation is to examine the relationship between the rate of accumulation and the *rate of retained profits*. By this latter notion, we mean the ratio of profits after all payments — taxes, interest, and

4. Data are from Flow of Funds (Federal Reserve).

Figure 3 Rate of retained profits and accumulation rate (%): United States, nonfinancial corporations



Accumulation rate: (——)
Rate of retained profits: (— —)

Source: NIPA (BEA).

dividends — to a measure of capital. We define the stock of capital as total fixed capital, as in the denominator of the rate of accumulation. This variable is also shown in figure 3.

The link between the rate of accumulation and the rate of retained profits appears very strong. With the short-lived exception of the long boom of the second half of the 1990s, the two variables remained practically equal and, therefore, testify of the same step downward. Concerning France, an even more striking parallel movement prevailed. The main finding is, therefore, that, in both countries, the same causes produced the same effects. Everything happens within neoliberalism *as if* profits distributed as interest and dividends were not ploughed back into nonfinancial corporations. This is equivalent to saying that all other flows, credits, issuing and buybacks of stock shares, are null or do compensate one another, and investment is self-financed. Thus, concerning the financing of the real sector of the economy, finance plays a purely parasitic role.

3 - The economics of imperialism: U.S. hegemony

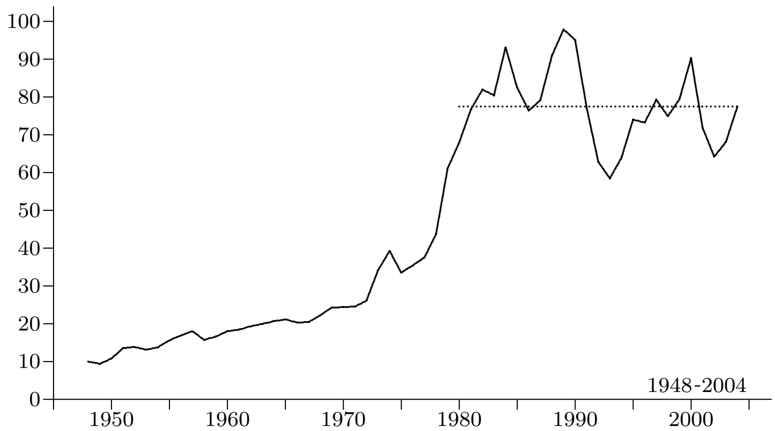
This section is devoted to the specific features of the U.S. economy related to its position as the most advanced (concerning technology and organization) capitalist country and its leadership among imperialist countries.

3.1 The United States draw important income flows from the rest of the world.

There are many aspects to the economic domination that the United States exercises over the rest of the world. The discussion in the following sections only considers financial income and financial flows from the rest of the world.

In 2004, U.S. agents (households, corporations, pension and mutual funds...) held 4,263 billions dollars of financial investments in the rest of the world, including bills, bonds, commercial paper, etc., as well as direct investment abroad. These investments resulted in an income flow (interest, dividends, and "reinvested" profits of transnational corporations, that is profits retained abroad within affiliates) of no less than 412 billions dollars (that is a rate of return of 9.7%). To give a broad idea of the importance of this income, it is interesting to compare it to the sum of 603 billions dollars, the total of after-tax "domestic profits" of all U.S. corporations, resulting from their activity on U.S. territory. Thus, the contribution of the rest of the world to the remuneration of capital in the United States appears very important.

Figure 4 Ratio of total income flows from the rest of the world, to after-tax domestic profits: United States



The denominator, domestic profits, is a slightly smoothened series of after-tax profits of U.S. corporations excluding income flows from their investment abroad. The numerator is the total income flow from investments in the rest of the world.

It is also interesting to consider the profile of this ratio along time. This is shown in figure 4 since 1948. Beginning at 10% after the war, the ratio rose steadily until the late 1970s and then soared suddenly. The main cause of this increase was the rise of interest rates in 1979. It, then, reached an average level of 80% during the neoliberal decades. Thus, this configuration of international financial flows is globally characteristic of neoliberalism. The relationship between neoliberalism and imperialism appears very strong.

3.2 The United States benefits from its key position in the asymmetrical process of (1) exploiting the rest of the world and (2) supplying low income to foreign capital invested in the United States.

If the United States invests in the rest of the world, foreigners also invest in the United States. A quite telling indicator of the power of U.S. imperialism is the apparent yield on the various categories of assets held respectively by U.S. agents in other countries and foreign agents, in the United States. We use the ratio of the flows of income to the corresponding stocks of holdings, corrected for inflation in the United States. In this measure, the yield on the holdings of the rest of the world in the United States appears strikingly inferior to that on U.S. holdings in the rest of the world. The difference in yields in favor of the United States was about 4 percentage points, in the average over the entire period. This is a clear indicator of the *asymmetrical* relationship between the U.S. economy and the rest of the world. The United States acts internationally as a financial intermediary, gathering financing at a lower cost than it, itself, garner from its investments abroad.

The explanation of this asymmetry is complex. It obviously relates to the faith in the strength of the dollar, and must be understood in relation to (1) the global dominance of the United States on the world economy, the position of its financial sector, the location in this country of the major business staffs of large transnational corporations, its key position concerning the most advanced technologies, its political stability, etc., and (2) the desire of agents of other countries to protect holdings from specifically national risks or constraints.

Overall, this key role of the United States within the world economy appears quite favorable to this country. Simultaneously, it draws income from the rest of the world and distribute a fraction to foreign financial investors. In between, large profits can potentially be garnered, because of the difference between the rates of return. But there are conditions to such benefits: The external position vis-à-vis the rest of the world must be maintained.

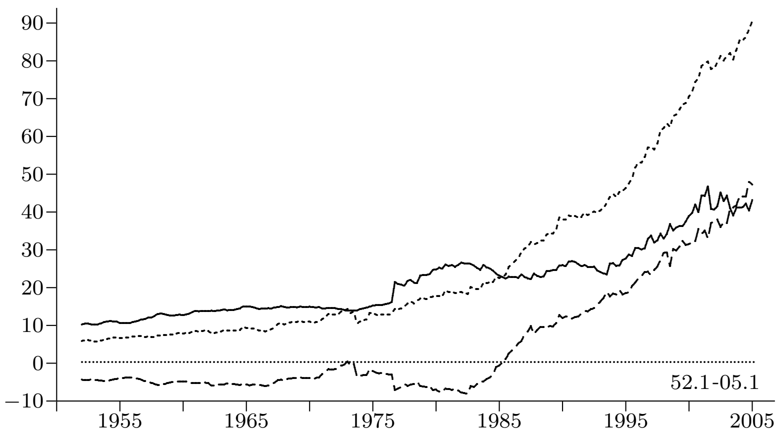
3.3 The external deficits materialized in the accumulation of a growing external "debt", eroding the benefits of the asymmetrical yield on international holdings and questioning the the willingness of foreigners to invest in the United States.

A well-known feature of the macroeconomy of the United States is the growing deficit of external trade. Both imports and exports increased relative to GDP since the 1950s, when the two ratios of imports or export to GDP were about equal to 4%. In 2004, the ratio of imports reached 15.3%, and the ratio of exports, 10%. Thus, the ratio of imports rose considerably more since the 1980s, despite the succession of ephemeral restorations. In the early 2000s, the trade deficit amounted to about 5% of GDP. The permanence of such deficits is only made possible by the readiness of foreign agents to finance it. The outflow of dollars resulting from the deficit are not converted in local currencies, but invested back in the United States.

Figure 5 shows, respectively, the total holdings of the United States in the rest of the world, and the holdings of foreigners in the United States (including, in both instances, direct investment). Although, since the 1950s to the early 2000s, the holdings of the

United States in the rest of the world grew from 10% to a peak of 45% of the Net Domestic Product (NDP), the rise is dwarfed by the surge of the holdings of the rest of the world, that amounted to 90% of NDP at the beginning of 2005. This is a new, very important, feature of the relationship between the United States and the rest of the world.

Figure 5 Ratios to the NDP (of the United States) of the holdings of the United States in the rest of the world, and of the rest of the world on the United States



U.S. holdings abroad: (——)
Foreign holdings in the United States: (-----)
Net foreign holdings: (— —)

A positive sign for the difference (— —) means that the rest of the world holds more assets on the United States than the United States on the rest of the world.
Source: Flow of Funds (Federal Reserve).

Only a fraction of the assets of foreigners in the United States can be considered as a debt. "Debt" refers to *credit market instruments*, that is: Open market paper, U.S. government securities, U.S. corporate bonds, and loans to U.S. corporate business. At the end of 2004, debt, in this definition, amounted to half of the assets of the rest of the world (the other half being mostly made of stock shares, portfolio and direct investment).

This involvement of foreigners is analyzed in opposite fashion by economists from the right and the left. The left sees it as a weakness, and there is no doubt that any reversal would question the present course of the macroeconomy in the United States. Analysts from the right stress the attractiveness of the U.S. economy, supposedly so profitable, so flexible, so less bureaucratic than the European or Japanese economies, etc. This attraction for U.S. financial investment is not due, contrary to what is suggested by neoliberal propaganda, to higher profit rates or higher interest rates. The comparative measures of profit rates in the United States and Europe do not reveal such a gap to the advantage of the United States. Interest rates are similar.

Figure 4 already illustrates the size of the flows of income drawn from the rest of the world, in relation to the domestic profits of corporations. Time is now ripe to compare these flows with those paid by U.S. agents to the rest of world. The result is striking and can be easily guessed: Since the holdings of foreigners are the double of those of

U.S. agents, and since their rates of return are half, at the beginning of the 21th century, the outflow of income paid to the rest of the world is equal to the inflow of income drawn from the rest of the world! If these trends are prolonged, the United States should pay more financial income to the rest of the world that it draw from it. This outcome questions the continuation of this trajectory.

3.4 The deteriorating position (in particular the growing debt) of the United States vis-à-vis the rest of the world is the effect of a dramatic wave of consumption by rich households.

The deteriorating position of the United States vis-à-vis the rest of the world is the consequence of the negative balance of trade (and since the the net flows of income is small, the negative balance of trade results in negative balance on current account). The deficit of the balance of trade reflects the fact that more is spent in the United States, as *investment and consumption*, than is produced or, to put it differently, total *investment* is larger than total *savings*.

In this analysis, we denote the investment of enterprises[5], as *investment*, and all other expenses, as *consumption* (including consumption in the strict sense, but also the purchase of durable goods and housing by households, and construction and public works by federal and local government). Correspondingly, *savings* are defined as the excess of consumption over total income. Such savings are also called *financial investment*, since they materialize in the variation of the monetary and financial assets (of households and of the state), after deducting the variation of the debt (the net financial position of these agents). Both investment and savings are meant net of the depreciation of capital.

As shown in figure 6, a striking feature of neoliberalism in the United States was the sudden fall of both the rates of investment and savings. The rate of savings fell more, and the difference between the two curves corresponds to the deficit of the balance on current account.[6] Although the savings of households also began to decline, during the 1980s, the main factor of this fall was the deficit of the budget, which was, itself, the combined effect of

5. Recall that net investment is equal to the variation of the stock of fixed capital (and the variation of inventories). All enterprises, are considered: nonfinancial and financial corporations, and self-employed persons.

6. The basic relationships are as follows, abstracting from transfers and the variation of inventories (which is part of investment). Goods and services available are demanded:

$$\textit{Net domestic product} + \textit{imports} = \textit{consumption} + \textit{net investment} + \textit{exports}$$

That is:

$$\textit{Net domestic product} = \textit{consumption} - \textit{net investment} + \textit{exports} - \textit{imports}$$

By definition of the product:

$$\textit{Net domestic product} = \textit{Net domestic income}$$

Taking account of income flows with the rest of the world:

$$\textit{National income} = \textit{Net domestic product} + \textit{income from the rest of the world} \\ - \textit{income toward the rest of the world}$$

Definition of savings:

$$\textit{Savings} = \textit{national income} - \textit{consumption}$$

Therefore, one has:

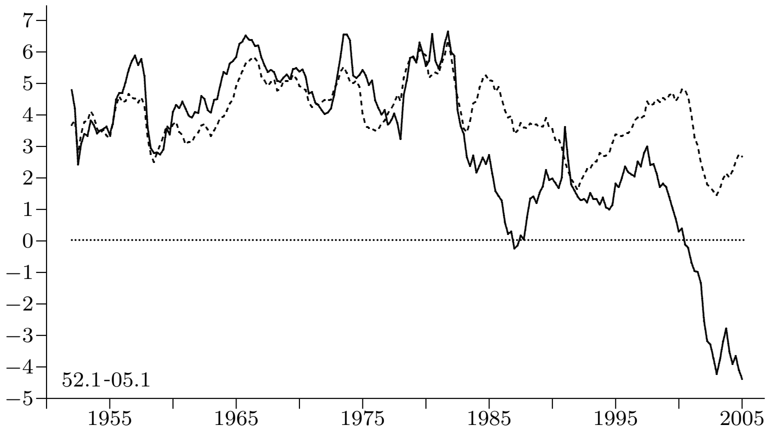
$$\textit{Savings} = \textit{National income} - \textit{consumption} = \textit{investment} + \textit{exports} - \textit{imports} + \textit{income} \\ \textit{from the rest of the world} - \textit{income toward the rest of the world}$$

that is:

$$\textit{Savings} - \textit{investment} = \textit{balance on current account}$$

National Income is also called “Net national product”.

Figure 6 Ratios of savings and net investment to NDP (quarterly data, %): United States total economy

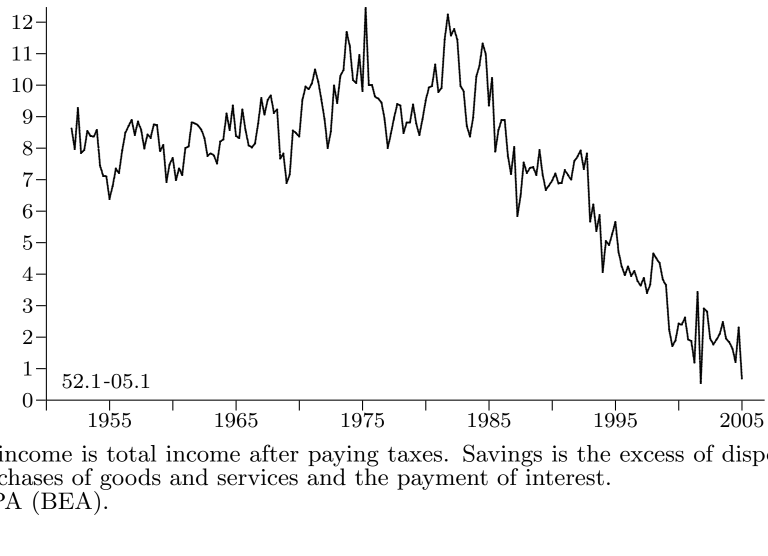


Rate of net savings: (——)
Rate of net fixed investment: (-----)

In a simple formulation, investment is that of enterprises, and savings the excess of domestic income over consumption (here all other expenses). The distance between the two lines measures the balance on current account.

Source: Flow of Funds (Federal Reserve); Fixed Assets Tables (BEA).

Figure 7 Ratio of savings to disposable income (quarterly data, %): Households in the United States



Disposable income is total income after paying taxes. Savings is the excess of disposable income over all purchases of goods and services and the payment of interest.
Source: NIPA (BEA).

the sluggish growth rates or recession, and of the surge of interest following the 1979 coup. Simultaneously, households began to spend (in goods and services) a growing fraction of their disposable income. As shown in figure 7, their saving rate culminated in 1982 at 9%, and then began a gradual decline to very low values. This is another crucial aspect of the specific course of neoliberalism in the United States. This movement is entirely concentrated within the upper strata of income, the wealthiest.[7] This is really a spending spree within the richest fraction of the population, the same people who benefit from the new flows of income and the rise of the stock market.

The rise of the spending of households in the United States was fueled by their growing indebtedness (which also contributed to the purchase of financial assets). After fluctuating rather horizontally around 60%, the ratio of the total debt of households to their disposable income increased from the mid-1980s onward to more than 100%. It is interesting to notice that the bulk of the increase is made of mortgages, although the rise in the spending of households is mainly the effect of the rise of the purchase of non-durable goods and services.

The most puzzling aspect of these mechanisms is the willingness and capability of financial institutions to lend to such indebted households. This is clearly the effect of the growing intervention of the state in credit policy. The outstanding stock of mortgages is held by either: (1) commercial banks; (2) saving institutions; (3) life insurance company; (4) government (government sponsored enterprises and federal and local governments); (5) federally related mortgage pools; and (6) and others. The contribution of federally related mortgage pools (a substitute for the dwindling saving institutions) and government rose dramatically. These pools purchase the mortgages from their original issuers and sell corresponding guaranteed securities to financial investors, potentially any domestic or international agents. The rate of interest is lower but the risk has been transferred to the state: The state acts as a substitute for private institutions.

4 - Conclusion: The dynamics of neoliberalism under U.S. hegemony

This section is devoted to the perspectives opened to *neoliberalism under U.S. hegemony* at the beginning of the 21st century. The two aspects are jointly at issue, neoliberalism and U.S. hegemony.

The macro trajectory of the U.S. economy, as asserted during more than two decades, cannot be maintained, without questioning the preeminence of the U.S. capitalist class and the hegemonic position of the country in the world economy. The two aspects of the ambition of the U.S. capitalist class are at issue, as a *capitalist class* in general and as the rulers of the hegemonic *imperial* country. The difficulty is that there will be a trade-off between accumulation — that is a fundamental element of U.S. preeminence — and the preservation of income and consumption trends favorable to high incomes — that is the essence of neoliberalism.

7. D. Maki, M. Palumbo, Disentangling the Wealth Effect: A Cohort Analysis of the Household Saving in the 1990s, Federal Reserve, Washington (2001).

Most likely, the inherent nature of neoliberalism as a system of low accumulation will appear clearly even in the United States in the coming years. At the beginning of 2005, investment is hardly recovering from the 2000 recession (figures 3 and 6). It is doubtful that this country will tolerate growth rates similar to those of Europe, without mentioning a lasting crisis as in Japan during the 1990s. U.S. hegemony would be endangered. Given the growing disequilibria of the U.S. economy, both the maintenance of a sustainable growth trajectory and the preservation of international flows of income favorable to the remuneration of households with high incomes will be difficult to achieve.

Obviously, macro stability and growth cannot be considered separately and they appear often incompatible with neoliberal longer term objectives:

1. The control of the macroeconomy might prove difficult to accomodate with the existence of decent accumulation rates, given the role played by the unproductive demands of households and the state, which are practically the only components of demand which can be stimulated by monetary policy.

2. The distribution of large flows of dividends and the large interest rates paid by corporations up to the end of the 1990s, were detrimental to accumulation. It is not possible to distribute more than 100% of profits as dividends; it is also difficult to control the macroeconomy and the stock market while charging large interest rates to final borrowers; the decline in interest rates in the early 2000s points to this new contradiction.

3. Concerning the competitiveness of the U.S. economy, the decline of the exchange rate of the dollar against the euro and the yen cannot be prolonged beyond certain limits without jeopardizing the international preeminence of the U.S. financial sector. It would certainly be more efficient to resort to traditional trade protections such as custom duties or direct quantitative restrictions. The United States already resorts to such barriers, as in the case of the steel and textile industries. But it would be difficult to extend such policies without questioning fundamentally neoliberalism and the role it plays in the new phase of imperialism, since other countries would retaliate.

The most straightforward contradiction in the present course of the U.S. economy is the deteriorating external position of the country. In the early 2000s, the flows of income paid to the rest of the world are equal to the flows received from the rest of the world. The continuation of the deficit of current accounts would lead to a gradual rise of the net flows (outflows minus inflows) to the benefit of the rest of the world. This is equivalent to saying that the income of capital in the United States would be gradually transferred to foreigners. This will obviously not be tolerated. From this, one can surmise a redefinition of the trajectory of the U.S. economy.

Various loopholes exist:

1. *The potential benefit of favorable conditions of technical change.* The first loophole is the new pattern of technological change underlying the upward trend of the profit rate (figure 1) since the mid-1980s. The continuation of such trends opens a possibility for a mitigated course of neoliberalism allowing simultaneously for decent rates of accumulation and sustained flows of income toward the capitalist class.

2. *Imperialism on the rise.* The second loophole is an increased pressure on the rest of the world. Three components must be distinguished: (1) augmenting the flows of income toward the United States (directly, as described in section 3.1, or by controling the price of raw materials and energy); (2) tapping international flows of investments toward the

United States, in particular direct investment; (3) maintaining the asymmetrical yields on the investment of the rest of the world in the United States, and on U.S. investment abroad.

3. *If the capitalist class accumulates!* Last, the potential reorientation of the behavior of the capitalist class from consumption toward accumulation opens a wide avenue toward the continuation of their "grand historical project". A major change in this respect would introduce a thoroughly new phase. How likely is such a development? Two observations can be made: (1) This new course would be greatly facilitated by the two above trends; (2) It would, however, represent a strong innovation within neoliberalism, a break with earlier features of this social order, and it is not easy to imagine what could be the practical determinants of such a change, both economically and politically.

The less spectacular scenario would be a mix of the various components contributing, to moderate degrees, to the transition toward a new phase: a continuing rise of capital productivity, a growing pressure on the rest of the world, the assertion of a new pattern of accumulation, an increased intervention of the state — all factors allowing for the preservation of income flows in favor of the capitalist class, provided that they result in larger saving rates.

A crucial argument in favor of a pending change is that the course of the macroeconomy and accumulation in the United States, as manifest at the beginning of the 21st century, is unsustainable. Nothing proves, however, that the conditions for the transition toward such a new phase are met, and it is impossible to foretell how many years such an adjustment would require. Thus, history could repeat itself. The demise of the Keynesian compromise was the joint expression of its inner contradictions and attacks from the capitalist class; neoliberalism could disappear in a formally similar historical juncture. A major collapse of the macroeconomy could act as a trigger.

Political factors will be crucial. The various fractions of upper classes in the United States, owners and top managers, are now engaged in a process of cooperation, even, in a sense, "merger". Management, globally, was associated to some of the benefits of neoliberalism in what we denote as the *neoliberal compromise*.[8] But time are changing. The role of U.S. upper middle classes is potentially important, since the fall of the stock market and a future possible decrease of interest rates would unsettle this component of the neoliberal compromise. The tolerance of the rest of the world might also reach certain limits, as evident in the increasing strength of the alter-globalization and antiwar movement, the failure of the negociations in Cancun in 2003, and new trends in Latin America, notably in Argentina (default, pesoification, etc.) at odd with some of the most sacrosanct tenets of neoliberalism. These struggles create new dynamics potentially conducive to change in the wake of the 2000 break. Given what is at stake — the income and power of the capitalist class — we should not hesitate to interpret these struggles for what they are, that is a historical episode of class struggle.

8. G. Duménil, D. Lévy, "Neoliberal Income Trends. Wealth, Class and Ownership in the USA", *New Left Review*, 30 (2004), p. 105-133.

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