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American Economic Power Hasn't Declined—It Globalized! Summoning the Data and Taking Globalization Seriously[1]

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This paper argues that a fundamental failing in the debate on the decline of American economic power is not taking globalization seriously. With the rise of transnational corporations (TNCs), transnational modular production networks, and the globalization of corporate ownership, we can no longer give the same relevance to national accounts such as balance of trade and GDP in the twenty-first century as we did in the mid-twentieth. Rather, we must summon data on the TNCs themselves to encompass their transnational operations. This will reveal, for example, that despite the declining global share of United States GDP from 40% in 1960 to below a quarter from 2008 onward, American corporations continue to dominate sector after sector. In fact, in certain advanced sectors such as aerospace and software—even in financial services—American dominance has *increased* since 2008. There are no serious contenders, including China. By looking at the wrong data, many have failed to see that American economic power has not declined—it has globalized.

An enduring debate in international studies is on the nature of American economic power. Broadly speaking, there have been three waves of conventional wisdom over the past three decades. With the post-World War II economic revival of Western Europe and Japan by the 1960s, mounting US balance of payments deficits, the end of dollar-gold convertibility in 1971, the onset of stagflation in the 1970s, among other factors, by the 1980s many argued that American economic preponderance was fading or in fact no more (Calleo 1987; Cox 1987; Gilpin 1987). Paul Kennedy (1988) encapsulated the zeitgeist in his *Rise and Fall of the Great Powers*, an international bestseller selling over two million copies, arguing that the United States was increasingly faced with "imperial overstretch"—declining economic resources to support overseas military commitments made in a bygone era. One important dissenter, however, to the declinist sentiment was Ronald Reagan: Elected President of the United States on the premise of continued moral and material American supremacy, Reagan paid no heed to those who characterized a world of "after hegemony" (Keohane 1984). He proceeded to throw a wrench in Japan's economic machine, most importantly by pressuring Japan to impose "voluntary export restraints" and to appreciate the yen with the 1985 Plaza Accord. At home, the Reagan Administration cut taxes, "flexibilized" labor in part by weakening unions, shot up interest rates to record levels,[2] ramped up military spending, and the balance of payments deficit: What came to be known as Reaganomics.

Whether or not Reagan's policies "worked," and certainly there were many other factors irrespective of Reagan, by the 1990s, the United States seemed once again unstoppable. The Soviet Union—the US's only geopolitical rival—collapsed, the American economy came roaring back with an advanced technology boom coupled with the economic malaise of Western Europe and most of all Japan, and the world came closer than ever before to the post-1945 US goal of a liberalized global economy. Indeed, in the ensuing voluminous literature on globalization, many did not even regard the explosion of cross-border flows as having anything to do with US policy and American corporations—or any nationality at all since it was argued that globalizing forces threatened the very existence of nation-states (Reich 1991; Ohmae 1995; Hardt and Negri 2000; Robinson 2004). Others, by contrast, saw the United States as both the central driving force and key beneficiary of globalization (Nye 1990; Chomsky 1994; Gowan 1999; Lundestad 1999).

The debate changed dramatically with the presidential election of George W. Bush and the US-led invasions of Afghanistan and Iraq in 2001 and 2003, respectively. The epithet "Empire" migrated from the Leftist fringe to the highest echelons of the US government, and conventional wisdom saw the United States at the pinnacle of its power (Bacevich 2002; Ikenberry 2002; Ignatief 2003; Kagan 2003; Brzezinski 2004). Even Paul Kennedy (2002:1), who wrote of the dangers of "imperial overstretch" less than fifteen years before, declared that "the eagle has landed" with "America's spectacular position in the world in military, economic, technological, and cultural terms." And yet only a few years later, with the rise of Brazil, India, Russia, and most of all China, coupled in 2008 with the largest Wall Street crash since 1929, declinism returned with a vengeance (Khanna 2009; Friedman and Mandelbaum 2011; Prestowitz 2011; Zakaria 2011; Layne 2012). Many of the same themes from the earlier 1980s debate returned, with Iraq replacing Vietnam and the rise of China replacing the rise of Japan as marking the shift of economic power to East Asia. The American budget deficit soared to unprecedented heights and in August 2011 for the first time ever Standard and Poor's stripped US government debt of its triple-A rating. Paul

[1] *Author's notes*: I am very grateful to James Parisot and Roy Starrs for comments on previous drafts, and to three anonymous *ISQ* reviewers for immensely helpful criticism. I am also grateful to Leo Panitch and Jonathan Nitzan for the intellectual champagne they served during my PhD, without which this paper could not have been written. All faults are my own. I thank the Social Sciences and Humanities Research Council of Canada for funding. See online Supporting Information Table S1 for methodology used in Table 1.

[2] While Federal Reserve Chairperson Volcker began increasing interest rates under Carter, he raised them to record levels under Reagan.

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Kennedy (2011) could once again change his mind and declare that American dominance is over.

And so, the conventional wisdom has swung from American decline in the 1980s to American unipolarity in the 1990s and American Empire by the early 2000s, and now back to decline with the Great Recession coupled with the ever-onward rise of China. But is it really possible for the strength and weakness of the material underpinnings of American power to flip-flop so wildly over the decades? Especially considering the sudden discursive deluge of "American Empire" during the early 2000s and its equally sudden vanishing by the late 2000s, can power in world order come and go as quickly as the latest Hollywood celebrity debutante? On the other hand, while the conventional wisdom on American decline or renewal vacillates, whenever one side is prominent one can always find dissenters, including in the present.[3] Thus, three decades later, we seem no closer to resolving this debate. How is it possible to look at ostensibly the same data and world events and come away with antithetical conclusions?

This paper argues that virtually the entire three-decades long debate on the decline or persistence of American economic power is marked by a lack of empirical rigor and clarity on the one hand and a failure to adequately consider the implications of the rise of transnational corporations (TNCs) on the other. These two failings are mutually reinforcing. While far too many commentators do not present systematic empirical evidence to begin with, of those who do, many focus predominantly on national accounts such as balance of trade and gross domestic product (GDP), as if these measures mean the same today in the age of globalization as they did in 1950 when economic activity was far more nationally contained. Rather, we must focus on the TNCs themselves in order to capture their transnational operations. This is also because, after decades of increasing mergers and acquisitions and globalization (not to mention the collapse of communism), the world's top TNCs (whether private or state-owned) now account for the lion's share of global economic activity, whether directly or indirectly via an ecosystem of supporting small- and medium-sized enterprises. This is not to argue that nation-states no longer matter; far from it, as we shall see. But it *is* to argue that an empirical investigation of TNCs will reveal important developments in the global political economy that are largely absent in the debate on American decline, with wider theoretical implications on the nature of power in world order.

I shall expand this critique in Section I that to adequately consider the globalization of economic activity, we must move beyond national accounts and investigate the TNCs themselves. Section II proceeds to do just that, focusing on the profit-shares of the top 2000 corporations in the world ranked by *Forbes Global 2000;* and organized across twenty-five sectors. We shall see that corporations domiciled in the United States continue to dominate by far the largest range of sectors, in particular, those involving advanced technology and knowledge. In fact, since 2008, American dominance has increased in key sectors such as financial services and software, with no serious contenders on the horizon, including China. I shall then argue that this *underestimates* American economic power due to the increasing globalization of corporate ownership in the 1990s. American investors are not only the predominant owners of American corporations, but also the largest owners of top European corporations and significant owners of top corporations domiciled in the rest of the world. And as American investors own *and thus profit* from the world's top TNCs (whether US-domiciled or not) more than any other nationality, American citizens continue to own the predominant share of the world's wealth—much more than America's declining share of world GDP would suggest. Section III will summarize the empirical findings, discuss wider theoretical implications, and conclude that American economic power has actually *increased* in the age of globalization.

The Implications of Globalization on Aggregating National Power

First a note on power. Robert Dahl (1957) provides a classic definition, as the power of A to get B to do something B would not otherwise do. Hence, power is necessarily relational and never universal across all actors in all situations. Therefore, David Baldwin (1989:166) rejects the concept of "Great Powers" in the abstract, as those with preponderant resources (hence with *potential* power) do not always subdue the weak (actual power): The primary example being the US defeat in Vietnam. Steven Lukes (1974), however, criticizes Dahl's conceptualization as too narrow, ignoring crucial dimensions such as the capacity to shape the agenda and/or initial preferences of others; that is, structural power. Joseph Nye (2011) also argues that power is multidimensional and that a power-as-resources approach can still be useful in determining national economic power. As others also argue (Waltz 1970; Strange 1987; Panitch and Gindin 2012), the sheer size of the American market gives the US state structural power, as foreign corporations (and their respective nations) seek access. Furthermore, unlike neoclassical economics, I assume that corporate profit-making is *inherently* a power process, not only because of class struggle (the more profit for owners, the less wages for workers, and vice versa)[4] but also because accumulation is differential vis-à-vis competing corporations.[5] Thus, as profit is both means and end of accumulation, it indicates both potential and actual power. I return to theoretical implications in Section III.

The point for now is that national accounts are no longer adequate for the power-as-resources approach prevalent in the debate on American decline. In the 1950s, corporations home-based in a particular country operated predominantly within the boundaries of that country, so it made sense to treat the weight of a country's GDP as roughly equivalent to the weight of the corporations home-based within that country relative to the world. If Japan's GDP was rapidly rising, one could surmise that Japanese corporations were also rapidly rising (as indeed they were). But beginning in the 1960s with the expansion of American corporations into the domestic markets of Canada and Western Europe and by the 1990s encompassing the top corporations from many countries expanding globally, this equivalency between the relative weights of a nation's GDP and of the corporations domiciled in that nation begins to break down. Thus, even if American GDP

[3] For example, in the 1980s on the persistence of American power see Russett 1985; Strange 1987; Gill and Law 1988. In the 2000s on American decline see Wallerstein 2003; Arrighi 2007. On American persistence post-2008 see Cumings 2009; Kagan 2012; Lieber 2012; Nye 2012; Panitch and Gindin 2012.

[4] See Brennan 2013 for an empirical analysis of this inverse relationship.

[5] See Nitzan and Bichler 2009 for a reconceptualization of capitalist accumulation centered upon a power (contra labor or utility) theory of value.

relative to the world is in decline, this does not necessarily imply that American corporations are in decline. Conversely, even if Chinese GDP is rapidly rising, this does not necessarily imply that Chinese corporations are rapidly increasing their global competitiveness.

Rather, given the implications of corporate globalization, these questions must be empirically investigated. For example, when the Japanese domestic automobile market became one of the largest in the world in the era of nationally contained capital, this indicated the strength of Japanese carmakers and gave them a strong base from which to compete internationally. China, however, surpassed the United States in 2009 to become the largest automobile market in the world (by volume), yet in an era when foreign TNCs can be significant competitors within a domestic market, this does not necessarily indicate the strength of Chinese carmakers. In fact, foreign corporations (dominated by General Motors and Volkswagen) account for more than 70% of the Chinese domestic automobile market (Waldmeir 2012): Despite two decades of strong Chinese state intervention and protection (Chin 2010), the 120 Chinese carmakers cannot even compete in their own home market let alone internationally. The difference between the rise of the West German, Japanese, and South Korean auto sectors during the era of national capital is stark.

A similar point can be made concerning national trade statistics: Much ink has been spilled on the massive American trade deficit with China as indicative of America's weakness and China's strength (Arrighi 2007; Friedman and Mandelbaum 2011; Layne 2012). In the era of nationally contained capital, when most processes of production were conducted in-house by a single corporation in a single country, and then, the finished commodity was sold abroad at the expense of corporations producing the same commodity in another country, it made sense to view a trade surplus as indicating the strength of that country's corporations in that particular commodity. When transistor radios made in Japan began flooding the American market in the 1950s and 1960s, the consequent rise in Japan's trade surplus with the United States indicated the success of Japanese corporations such as Sony at the expense of American corporations such as RCA.

But beginning with outsourcing in the 1970s, TNCs began to operate differently, eventually leading to what some scholars call "modular production networks" (Sturgeon 2002; Steinfeld 2004; Yusuf, Altaf, and Nabeshima 2004; Nolan, Zhang, and Liu 2008). That is, many TNCs split the production process into modules ranging from low value–added assembly to high value–added branding and research and development (R&D). The low value–added modules are outsourced and subcontracted to other firms, while the TNCs specialize in the high value–added modules. Final assembly is low value because it is easily replicable and can be subcontracted to one or a few of a large number of firms (often in the thousands).[6] These thousands of firms compete largely by cost-cutting (hence are often based in countries with low labor costs) and rarely compete by offering proprietary knowledge. Design is high value because it is proprietary knowledge not easily replicable with far fewer firms being able to compete. This is partly because design requires high-cost expenditures in R&D over the long-term with a high risk of failure, and the fruits are legally protected via intellectual property rights preventing easy replication.[7] The fewer the competitors the more premium the value added, and the higher the costs of entry, let alone success.

It is important to note that these modular production networks are transnational insofar as the various modules are dispersed across a number of countries, while still being coordinated and ultimately controlled by a single firm. Hence, even though activities are widely dispersed across the globe, power is still highly concentrated. Apple, for example, sources components for iPads and iPhones from other firms based in Japan, South Korea, the United Kingdom, the United States, and so on, while Apple specializes in high value-added branding, customer service, design, marketing, and R&D. Furthermore, Apple coordinates this component sourcing from myriad suppliers around the world and then subcontracts a Taiwanese firm, Hon Hai Precision Industry, to perform final assembly. Hon Hai Precision Industry performs this final assembly through its subsidiary Foxconn in various factories across China, which are then exported to the rest of the world.[8]

As a consequence, China has a virtual monopoly on the export of iPads and iPhones and, more broadly, has been the largest electronics exporter in the world since 2004 (OECD 2005). But in the era of transnational modular production networks, the fact that China is the largest exporter of finished smartphones and tablets—with the consequent overwhelming trade surplus in these goods—and the fact that made in China electronics flood the American market today just as made in Japan radios flooded the American market half a century ago, does not at all necessarily imply that Chinese firms are world leaders in electronics. Nor does the fact that China exports virtually all iPads and iPhones necessarily mean that Chinese firms reap the largest profit from the sale of these iPads and iPhones, or electronics more generally. In fact, it does not even mean that a Chinese firm is performing final assembly. On the contrary, it is a *Taiwanese* firm, Hon Hai Precision Industry, that employs over one million Chinese workers (China's largest private employer) to conduct final assembly of electronics such as iPads and iPhones in China, but the profit from this final assembly largely goes to Taiwanese shareholders, especially to the Taiwanese billionaire founder Terry Gou.[9] Even still, the profit that Hon Hai Precision Industry makes from the assembly of iPads and iPhones in China is peanuts compared with the profit that Apple ultimately makes from owning the proprietary design and brand.[10] After all, Apple emblazons on many of its products: "Assembled in China, Designed in California." Thus, in an era of transnational modular production networks, national trade statistics do not even begin to capture these complex networks and are an inappropriate mea-

[6] Notable exceptions are Aerospace and Defense, and Automobiles. Firms in these sectors still perform final assembly, as the manufacturing process itself involves proprietary design and advanced technology. For example, Boeing still assembles aircraft in the United States; hence the US has a trade surplus with China in aircraft as Boeing has a more than 50% market-share in China (Rabinovitch 2011).

[7] Even if intellectual piracy occurs, much of today's advanced technology blueprints require a host of accompanying intangible assets that cannot simply be copied but must be developed over time (Beckley 2011; Ernst 2011).

[8] See Linden, Kraemer and Dedrick 2007; FT.com's *In Depth: Apple*, *In Depth: Foxconn*.

[9] In 2012 Hon Hai Precision Industry is 48% Taiwanese owned and the largest shareholder is Terry Gou with 13% (*Bloomberg Professional*).

[10] In 2011 Hon Hai Precision Industry's total profit is $2.6 billion, while Apple's is almost thirteen times larger at $33 billion (*Forbes Global 2000* 2012).

sure of economic power. Rather, we must investigate the transnational corporations themselves.

Moreover, the globalization of corporate ownership further complicates matters. Beginning in the 1980s and escalating in the 1990s, the United States in collusion with such institutions as the International Monetary Fund pressured scores of countries to liberalize their financial markets.[11] By the end of the twentieth century, these efforts were largely successful as cross-border portfolio investment and mergers and acquisitions (M&As) exploded, and, as we shall see in the data, it is American firms that were the most active and the greatest beneficiaries. As a consequence, even if the relative proportion of corporations domiciled in the United States in certain sectors has declined, because Americans now own a sizable share of corporations domiciled in other countries, this does not necessarily indicate that American citizens are losing their relative share of global wealth. In an era of greater financial liberalization, the growth of firms domiciled in for example Australia or Brazil no longer necessarily implies that this growth predominantly benefits investors that are citizens of Australia or Brazil. Rather, because of the globalization of corporate ownership, investors that own shares in Australian or Brazilian firms could—theoretically at least—be citizens of any country in the world. In reality, however, ownership of the world's top corporations is highly concentrated amongst a handful of nationalities, and American citizens account for by far the greatest national share, as we shall see in the data. Again, we must investigate the nature of the transnational corporations themselves, rather than national accounts.

In short, the decades-long debate on the decline or persistence of American economic power cannot be resolved without summoning the data, and by summoning the correct data. Too many commentators present insufficient empirical evidence, and too many focus predominantly on national accounts. Half a century after American corporations began globalizing in the 1960s, national accounts including bilateral trade statistics no longer provide an adequate measure of economic power in world order. Consequently, we must analyze the nature of the world's top corporations themselves in order to understand the great changes in their operations and ownership structures over the past several decades, and consider the implications this has on national economic power. The next section presents data from *Forbes Global 2000*, *Thomson Reuters*, *Bloomberg Professional*, and other sources.

The Data: The Top 2000 TNCs, the Globalization of Ownership, and World Wealth

First a note on benchmarks. At what proportion of a given indicator relative to the world should we say marks "dominance"? Most commentators agree that American economic power in the years immediately after World War II was "dominant," and the consensus on the proportion of America's GDP relative to the world ranges from 40% (Kennedy 1988:690) to the oft-heard "half." Does it follow that any proportion less than 40% should be considered not dominant?[12] Also, it is important to compare the American share with its nearest competitors and consider the extent of its lead. If the American share of world GDP (or whatever other index) declines from 40% to 30% and the number two country declines from 20% to 10%, is this really a decline in American dominance? In the first instance, the American share is double its nearest competitor, and in the second instance triple. Similarly, if the American share has fallen because there are many more competitors but the gulf between the United States and number two is similar, is this really American decline? In short, selecting a benchmark for "dominance" is somewhat arbitrary and in the eye of the beholder.

With these points in mind, I shall first summon that data which I have argued we should be cautious summoning: GDP. Figure 1 demonstrates that American GDP relative to the world has indeed declined over the past half century, from just below 40% in 1960 to fluctuating between a third and a quarter from the 1970s over the next thirty-five years, finally dipping below 25% in 2008 for the first time in the post-war era. Therefore, if we ignore the implications of globalization and assume we still live in an era of nationally contained capital, then perhaps we would expect the dominance of American corporations to have similarly declined to a quarter or less from 2008 across the various indices relative to the world.

Table 1 investigates whether this is true. It presents the national distribution of profit across the twenty-five broad sectors of the top 2000 corporations in the world, ranked by *Forbes Global 2000* using a composite of four indices: Assets, market value, profit, and sales. There are two data sets in Table 1, the first from 2006 and the second from 2012. Hence, we can observe the change over these six crucial years, between the last full year before the 2007 subprime mortgage crisis, and three to four years after the height of the 2008–2009 global financial crisis. The data from 2012 should be sufficient time for the dust to have settled after the lowest point of the financial crisis for most of the world (with the possible exception of Europe), allowing us to see which TNCs from which countries have advanced and which have suffered.

Table 1 demonstrates that American corporations account for by far the most dominant profit-shares across the most sectors than corporations from any other country, especially in sectors at the technological frontier. In fact, in six sectors (Aerospace and Defense; Casinos, Hotels and Restaurants; Computer Hardware and Software; Financial Services; Media; Transportation) American leadership has increased over the six years and has gained ground in a further four (Auto, Truck and Motorcycle; Heavy Machinery; Retail; Utilities). Perhaps most noteworthy, three years since the Wall Street crash in autumn 2008 and the top American financial services firms have increased their global dominance to 53% of the total profit of the financial services sector in the *Forbes Global 2000* (2012).[13] And note the unrivalled supremacy of American firms in the Computer Hardware and Software sector, the third most profit-making sector in the world after Oil and Gas, and Banking. This is all the more stunning since China surpassed the United States as the largest personal computer market in the world in 2011 (Savitz 2011). Again, in the era of nationally con-

[11] See Robert Rubin's memoir (Rubin and Weisberg 2003) for his personal account of these efforts as US Treasury secretary in the 1990s.

[12] By contrast, the US Department of Justice uses a Herfindahl-Hirschman Index of "only" 25% or above to investigate whether a market has "excessive" concentration.

[13] This may come as a surprise to those who argue that the 2008-2009 financial crisis indicates the weakness of the United States and/or Wall Street. Section III will discuss further, but see Panitch and Konings 2009 for a discussion on American financial power.

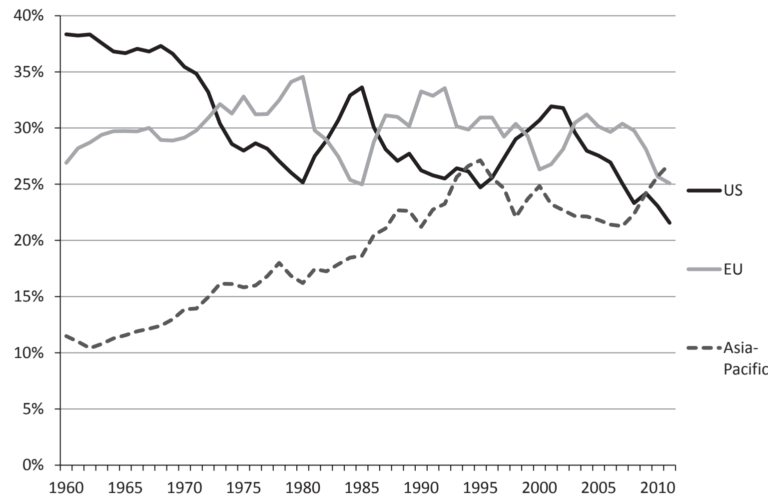

Fig 1. Triad GDP (Current US$) Relative to World, 1960–2011. *Source*. World Bank.

tained capital, we might expect the largest domestic market in the world in a particular sector to have a significant presence of indigenous corporations in that sector (if not the dominant share). But in the era of transnational capital this relationship is no longer axiomatic, and it could be the case that foreign firms dominate a country's domestic market. This is certainly the case for American firms in Computer Hardware and Software.[14]

More generally, even if Chinese firms make an appearance in eight more sectors over the six years and in a number of sectors advancing significantly,[15] note the general paucity of Chinese firms at the upper echelons of the majority of sectors. This is striking considering that in 2010 China overtook Japan's almost four-decade run with having the second largest GDP in the world. No one doubts that China is rising, but China is rising in the era of globalization, and the nature of China's integration into transnational modular production networks is shaping the nature of its rise. For example, the Chinese presence in Electronics is a paltry 4% even though China has been the largest electronics exporter in the world for nearly a decade. Indeed, over 90% of China's high-technology exports are actually by foreign—not Chinese—firms (Beckley 2011:43). For example, the Taiwanese firm Hon Hai Precision Industry, is China's largest exporter and not only assembles in China for Apple as mentioned above, but also for Dell, HP, Nokia, Microsoft, Motorola, Nintendo, and Sony. Thus, it is uncertain whether Chinese electronics firms can catch up with Taiwanese firms that merely specialize in assembly, let alone build global brands to challenge American corporations head-on.

The broader point is that China's integration into the transnational modular production networks of American and other TNCs is mostly in assembly (even if this assembly is becoming more technologically sophisticated) and not innovation (Steinfeld 2010; Ernst 2011). And considering that it is uncertain whether China can catch up with Taiwan then South Korea then Germany then Japan, speculation on China being able to challenge the United States at the technological frontier in the foreseeable future is not credible. For example, in Electronics, Chinese firms would have to increase their profit-share by 1,000% to match the United States (and only if American firms ceased growth in the meantime). Or in Healthcare Equipment and Services, China does not have a single firm in the world's top 2000 corporations, and the American profit-share is 84%. Even in Aerospace and Defense, where China has been increasing its military spending exponentially since the 1990s, there is still no Chinese presence in the *Global 2000*, and the American profit-share sits comfortably at two-thirds of the world.[16] Therefore, considering the actual reality of Chinese firms across *most* (not all) sectors, it is unclear why so many commentators speculate that Chinese firms will be able to challenge the breadth of American technological dominance at all.[17] Again, in the age of globalization, we cannot base our analysis of economic power on rising GDP alone; we must analyze the TNCs themselves.

This is in addition to the fact that foreign (and particularly American) TNCs already dominate China's domestic market in a slew of goods and services, further hampering Chinese efforts to develop indigenous competitors. I have already mentioned Boeing, Dell, and General Motors, but consider also Coca Cola and Pepsi, for example, with a 55% and 32% market-share, respectively, in Chinese soft drinks (Rappeport 2011). More broadly, despite having to feed and quench the thirst of roughly a fifth of the world's population, the Chinese profit-share in Food, Beverages and Tobacco is only 3% (the American profit-share is 43%). Or, despite having the world's largest consumer market by population, Chinese firms account for a miniscule 1% in Retail (and American firms 55%), while Wal-Mart's market-share in China itself (a domestic market with over half a million firms) is the largest at 8%, "reaching 27% of Chinese households" (Woke 2011). To repeat, in the era of transnational capital we cannot assume that the rapid rise of a country's GDP and/or domestic market indicates the rapid rise of that country's economic power. The world's

[14] For example, 60% of the Internet in China runs on Dell servers (Palmer 2011). And while much fanfare was made when the Chinese firm Lenovo acquired IBM's loss-making PC division in 2005, Lenovo's profit in 2011 was half that of the top Taiwanese computer hardware firms, and roughly one-twelfth that of Dell (*Forbes Global 2000* 2012).

[15] Banking; Construction; Forestry, Metals & Mining; Insurance; Real Estate; Transportation.

[16] In fact, even if Chinese military spending has increased 800% since 1989, Beckley (2011:73–74) has shown that *relative* to the US it has *declined* since 2001.

[17] For at least 200 years since Napoleon supposedly exclaimed, "Let the Dragon sleep for when she wakes she will shake the world," many have speculated on China's *potential* at the expense of analyzing China's reality.

Table 1. National Sectoral Profit-Share of Top 2000 Corporations: 2006, 2012

Sector	*Year*	*# of Firms/Nations*	*Total Profit ($bn)*	*#1 (%)*	*#2 (%)*	*#3 (%)*	*Notes on China*
Aerospace & Defense	2006	17/7	14.7	US 66	UK 11	Netherlands 10	Zero
	2012	20/8	25.1	US 67	UK 13	France 7	Zero
Auto, Truck	2006	45/12	56.5	Japan 47	Germany 17	US 13	#9 @ 0.6%
& Motorcycle	2012	53/13	129.3	Germany 29	US 26	Japan 18	#6 @ 4%
Banking	2006	293/26	296.5	US 34	UK 13	Japan 7	#10 @ 2%
	2012	264/54	443.5	China 24	US 15	Japan 6	See #1
Business	2006	49/12	17.6	US 53	Japan 12	UK 7	Zero
& Personal Services	2012	34/10	18	US 44	Switzerland 15	UK 8	Zero
Casinos, Hotels	2006	31/11	16.3	US 46	UK 18	Panama/UK 14	Zero
& Restaurants	2012	25/11	23.7	US 64	HK 7	Panama 7	#6 @ 2%
Chemicals	2006	59/18	39.9	US 31	Japan 13	Germany 12	#14 @ 1.5%
	2012	66/19	79.1	US 25	Germany 19	Saudi Arabia 12	Zero
Computer Hardware	2006	68/12	85.2	US 70	ROK 14	Taiwan 7	Zero
& Software	2012	78/19	186	US 74	ROK 6	Taiwan 5	#6 @ 2%
Conglomerates	2006	31/15	50.2	US 57	Bermuda 8	Netherlands 7	Zero
	2012	30/14	66.8	US 43	HK 23	Germany 13	Zero
Construction	2006	66/20	35.12	US 34	France 15	UK 10	Zero
	2012	64/24	37.6	China 22	France 18	Japan 11	See #1
Electronics	2006	62/10	35.1	US 48	Japan 25	Sweden 7	Zero
	2012	57/13	57.8	US 39	Japan 29	Taiwan 10	#4 @ 4%
Financial Services	2006	154/27	139.9	US 45	Switzerland 11	Netherlands 10	Zero
	2012	95/27	100.9	US 53	ROK 8	Switzerland 6	#4 @ 4%
Food, Beverages	2006	72/21	68.9	US 49	UK 15	Switzerland 9	Zero
& Tobacco	2012	85/28	112.1	US 43	UK 12	Switzerland 9	#7 @ 3%
Forestry, Metals	2006	99/30	84.6	US 13	Japan 9	Russia 8	#11 @ 5%
& Mining	2012	117/32	172.2	Oz 17	Brazil 13	China 11	See #3
Healthcare Equipment	2006	53/7	31.2	US 89	Sweden 4	UK 2	Zero
& Services	2012	39/9	39.5	US 84	Ireland 5	Germany 4	Zero
Heavy Machinery	2006	63/16	29	US 39	Sweden 21	Japan 16	#8 @ 1.5%
	2012	68/13	62.7	US 37	Japan 14	Sweden 12	#4 @ 11%
Insurance	2006	98/20	89	US 53	Germany 7	Switzerland 7	#12 @ 1.4%
	2012	85/22	107	US 41	China 10	Switzerland 9	See #2
Media	2006	55/15	32.2	US 59	UK 10	Japan 6	Zero
	2012	37/9	44.5	US 67	France 11	UK 6	Zero
Oil & Gas	2006	102/31	277.9	US 38	Netherlands 10	UK 9	#4 @ 6%
	2012	123/35	454.1	US 28	Russia 17	UK 9	#5 @ 7%
Pharmaceuticals	2006	37/10	82.2	US 51	UK 15	Switzerland 12	Zero
& Personal Care	2012	69/19	148	US 49	UK 14	Switzerland 13	#12 @ 0.4%
Real Estate	2006	0/0					
	2012	72/15	64.6	HK 37	China 14	US 14	See #2
Retail	2006	122/19	76.6	US 68	UK 11	Japan 4	Zero
	2012	116/26	114	US 55	UK 8	Japan 4	#15 @ 1%
Telecommunications	2006	62/37	98.5	US 21	Japan 9	HK 7	#9 @ 2%
	2012	59/38	133.9	HK 15	UK 11	Japan 9	#16 @ 2%
Trading	2006	23/7	7.5	Japan 74	UK 14	ROK 7	#6 @ 1%
Companies	2012	16/5	18.5	Japan 87	HK & ROK 4	India 3	#5 @ 2%
Transportation	2006	73/25	46.8	US 27	Japan 15	Denmark 10	#10 @ 1.5%
	2012	63/22	50.9	US 31	Japan 14	China 12	See #3
Utilities	2006	109/23	85.5	US 31	Germany 15	Japan 9	#11 @ 1.5%
	2012	99/27	98.4	US 27	France 9	UK 9	#10 @ 4%

Source. Author's calculations from *Forbes Global 2000* (2006, 2012).
(*Notes*. HK, Hong Kong; Oz, Australia; ROK, South Korea).

top TNCs—which are by far and away domiciled in the United States as Table 1 amply reveals—operate around the globe and thus profit from and often shape activities around the globe, including in "emerging markets" and certainly in China.

Nevertheless, while American performance has increased in ten sectors since 2006, note that there has been relative American decline in eleven sectors (Banking; Business and Personal Services; Chemicals; Conglomerates; Construction; Electronics; Forestry, Metals and Mining; Healthcare Equipment and Services; Insurance; Oil and Gas; Telecommunications). Upon closer inspection, however, whether America has declined in certain sectors is more ambiguous than would at first seem. Most obvious is Healthcare Equipment and Services, where American decline is from 89% to 84%: This hardly spells doom. More seriously, if we disaggregate to the level of the very top corporations, in some sectors marked by supposed American decline, there has actually been American expansion.[18] In Insurance, for example, while the total American share declines from 53% to 41%, the

[18] The following corporate profit-shares are author's calculations from *Forbes Global 2000* 2012.

number one and two corporations remain American International Group (AIG) and MetLife, which have actually *increased* their profit-shares in the Insurance sector from 13% and 5% in 2006 to 17% and 7% in 2012, respectively. Or in Oil and Gas, while the total American share from 2006 to 2012 has declined from 38% to 28%, the number one corporation remains ExxonMobil and in 2012 its profit lead over Gazprom, its nearest competitor, is more than $10 billion, and Chevron has increased its standing from fifth to fourth over the 6 years. Similarly in Electronics, while the total American share has declined from 48% to 39%, the number one and two corporations remain American, and in 2012, another American firm enters the top five. Moreover, even in Forestry, Metals and Mining where aggregate American leadership has dissipated since 2006, this masks the extent to which certain American TNCs continue to dominate at the technological frontier. The aluminum producer Alcoa, for instance, has "patented 95% of all aerospace alloys ever created," and its Davenport, Iowa manufacturing plant "remains the only facility [in the world] that can manufacture airplane wings as a monolithic structure…and today produces wings for almost all planes made by Airbus, Boeing, Bombardier and Embraer" (Alcoa.com 2011).

There is unequivocal American decline, however, in three sectors (Banking; Construction; Telecommunications), and in all three, China has risen rapidly. It is in these sectors where China's massive GDP and the particular nature of its political economy give it a competitive advantage. Four Chinese banks have rapidly ascended to the ranks of the world's top 100 corporations since the mid-2000s.[19] But it is uncertain whether this explosive ascent is structurally long-term or due to medium-term factors that are likely to change. China's rapid growth over the past fifteen years has been heavily investment-driven and dependent on high savings, leading to high profits for the behemoth state-owned banks. And in response to the 2008–2009 global financial crisis, the Chinese state implemented the second largest economic stimulus in the world, largely by channeling further investment through its banks, boosting the latter's profit to new heights. But as China attempts to move toward a consumption-driven economy, various regulations that allow the banks to profit enormously will be re-regulated, such as relaxing the ceiling on bank deposit rates (Rabinovitch 2012a).

Thus, in the next five years or so, we will likely see Chinese banks' profit-share drop significantly (along with their *Forbes Global 2000* rankings). In any case, the large showing of Chinese banks at the top of the list does not necessarily indicate that these banks are currently outcompeting their American, European, and Japanese counterparts internationally. Only ICBC and Bank of China have made noticeable overseas expansions, and they are largely merely following and financing their Chinese clients' operations abroad particularly in the extraction industry, such as CNOOC and PetroChina (Rabinovitch 2012b). By contrast, banks such as Citigroup and HSBC today are truly global in their scale and scope across the whole slew of banking and investment activities. In other words, Chinese banks engage in predominantly domestic activities and are largely nationally contained, so their massive profits are not necessarily at the expense of Western banks (outside of China) nor indicative of Western decline.

Two other sectors that are predominantly nationally contained in China are Construction and Telecommunications, and the rapid growth of China's GDP has led to the rapid growth of its corporations in these sectors relative to the world. In regard to Construction, like Banking, this sector greatly benefits from the investment-driven model and the 2009 economic stimulus. Again, both these conditions are not structurally long term. As for the United States, its Construction sector collapsed with the subprime mortgage crisis and is still reeling from the Great Recession. It remains to be seen whether these woes are long term. What is certain to remain in the long term, however, is China's rapid ascent in Telecommunications, with China Mobile (listed in Hong Kong but with its main operations in China) rising from fifth place at 5% in 2006 to first place at 15% in 2012. With over one billion mobile phone subscribers in China (Flannery 2012), and with the Chinese state likely to continue to protect its domestic market from foreign competition, China will lead. Telecommunications Services into the foreseeable future. What is interesting to note, however, is that while China Mobile has a significant lead over its competitors in Telecommunications Services, the United States continues to dominate the subsector of Communications Equipment (in 2012 American firms made 64% of the profit versus China with 2%) within the sector of Electronics. Thus, while the provision of telecommunications services remains one of the most heavily regulated and nationally protected sectors in many countries of the world, in the advanced technology equipment and electronics used for telecommunications, American firms dominate.

In any case, the United States leads in a remarkable eighteen of the twenty-five broad sectors of the top 2000 corporations in the world, the crème de la crème of global capitalism. And if we maintain the benchmark for "dominance" unchanged since 1950 (40% or more), then in 2012, the United States dominates twelve of the twenty-five sectors (with an additional two sectors within three percentage points of 40%). The only other country that dominates a single other sector is Japan in Trading Companies. That is, despite the economic recovery or rise of scores of countries over the past half-century, no other country apart from Japan dominates a single sector, while the United States dominates twelve (and Japan only one). Furthermore, I have so far presented data that *underestimates* American dominance because I have assumed that American investors only own American firms, and not also firms based in other countries. I shall now present data on whether this assumption holds, and we shall see that it does not: American investors also own sizable shares of TNCs home-based in other countries.

I mentioned above that the US government successfully influenced many other governments to liberalize their financial markets by the end of the twentieth century, and Table 2 shows the fruits of that labor. The share of American firms in cross-border M&As in the key target nations of the global political economy is by far the largest, and in a number of countries, it has been increasing over the past three decades (such as in China, France, Germany, South Korea). And note the asymmetry: While the American share alone in many countries is over 20%, in the first decade of the twenty-first century, the *combined* foreign share (let alone a single country) of all M&As in

[19] These banks are, in descending order with *Forbes Global 2000* 2012 rank in parentheses: ICBC (5); China Construction Bank (13); Agricultural Bank of China (19); Bank of China (21).

Table 2. US Share of Cross-Border M&As ≥$1 million in Target Nation: 1980-2009

Target Nation	*1980–1989 (Rank)*	*1990–1999 (Rank)*	*2000–2009 (Rank)*	*Rank Change?*
Asia (Top Three Nations for All Cross-Border M&As)				
1. China	<1% (#6)	10% (#2)	21% (#2)	Increase
2. Japan	44% (#1)	55% (#1)	39% (#1)	Same
3. South Korea	8% (#3)	35% (#1)	41% (#1)	Increase
Europe (Top Five Nations for All Cross-Border M&As)				
1. UK	29% (#1)	39% (#1)	26% (#1)	Same
2. Germany	19% (#2)	6% (#3)	35% (#1)	Increase
3. Netherlands	37% (#1)	32% (#2)	21% (#2)	Decline
4. France	21% (#3)	17% (#3)	21% (#1)	Increase
5. Italy	16% (#4)	8% (#2)	15% (#3)	Flux
North America (Top Two Nations for All Cross-Border M&As)				
1. US	89% (#1)	87% (#1)	84% (#1)	Same
2. Canada	45% (#1)	71% (#1)	50% (#1)	Same

Source. Thomson Reuters SDC.
(*Notes.* US share in US is all M&As ≥$1 million [not just cross-border]).

the United States is only 16%. Therefore, American firms are acquiring a much larger share of foreign firms in key markets than foreign firms are acquiring American firms.[20]

As a consequence of sustained acquisitions by American firms in key markets around the world over the past couple decades, perhaps it is not surprising that by 2012 American firms combined own 46% of all publicly listed shares of the top 500 corporations in the world, as Figure 2 reveals. This dominant American ownership of the top 500 corporations is despite "only" 167 with US-domicile, or 33% of the total—not to mention the United States "only" accounting for 22% of global GDP. This signifies how globalized American economic power has become. Chinese capital, by contrast, is almost entirely nationally contained, as 29 Chinese corporations make the top 500, or 5.8%, and Chinese firms own 5.9% of the top 500. This indicates not only that Chinese ownership of Chinese firms approach 100% (the vast majority—including twenty of the top 20—are state-owned), but that Chinese ownership of non-Chinese-domiciled firms in the top 500 is negligible.

Figure 3 delves deeper by disaggregating the top four average national ownership shares of the top 20 firms in four regions: The United States, European Union, Japan, and Hong Kong/China. Figure 3 reveals that American shareholders are unequivocally the dominant owners of the top American corporations, at an average of 86% ownership of all outstanding shares. While this point may seem trivial, the matter is quite different with European corporations. The number one combined national owner of the top twenty European corporations is not European, but American. As in Table 2, note the asymmetry: Foreign shareholders combined account for about 15% ownership of the top twenty American corporations, yet American shareholders often account for more than 20% ownership in each of the top twenty European corporations. The top Japanese TNCs, however, are still owned predominantly by Japanese shareholders, albeit to a lesser extent than American shareholders of American TNCs. And not surprisingly given the deep post-war relationship between Japan and the United States that continues to this day, American shareholders account for the largest foreign share. American ownership of the top twenty from the rest of the world excluding China (not shown in Figure 3) is a mixed bag, ranging from the dominant national owner of the Australian-domiciled BHP Billiton with a 68% share (as opposed to 12% Australian ownership) to less than one per cent of the Russian-domiciled Rosneft (with 99% Russian ownership). Lying in between is the 36% American ownership of Gazprom (versus 64% Russian) and the 28% American ownership of Samsung Electronics (versus 63% Korean). And while aggregate national ownership for most Brazilian firms is unavailable, American firms are often some of the largest individual owners in 2012, such as Capital Group with a 6% stake in Banco Bradesco and Blackrock with 3%, 7%, and 11% stakes in Vale, Petrobras-Petróleo Brasil, and Itaú Unibanco Holding, respectively [*Forbes Global 2000* (2012) for rankings; *Bloomberg Professional* for ownership].

The Chinese case, however, is more complicated. Most Chinese firms in the *Forbes Global 2000* are listed on both the Shanghai and Hong Kong stock exchanges with *different* ownership structures. In Shanghai, there are strict foreign capital controls with foreign owners only accounting for 3% or less of the vast majority of Shanghai-listed corporations, and with the Chinese government often owning at least half. The shares used to calculate Chinese ownership of the top 500 corporations in Figure 2 are taken from their Shanghai listings. Figure 3, however, lists the national ownership of the Chinese firms' non-controlling "H-shares" listed in Hong Kong. American shareholders lead. Thus, American investors reap the largest share of dividends paid to foreign shareholders. Also, if Shanghai gradually liberalizes its financial market, American firms are in a strong position to benefit because of their already significant linkages with the top Chinese firms listed in Hong Kong.

There is one important caveat, however, to the data presented on aggregate national ownership. While it is clear that American firms dominate ownership of the top 500 corporations in the world, it is *not* the case this ownership equals the ownership of American citizens in a one-to-one ratio. While the client confidentiality of investment firms is legally protected, it is safe to assume that American (as well as British, Swiss, and so on)

[20] Due to limited space, I only present M&As and not portfolio investment. Hence, because American portfolio investment has also increased, the M&A data *underestimates* the power of American TNCs. For a theorization of TNCs expanding their power via foreign ownership, see Nitzan and Bichler 2009; for a classic account of asymmetric interdependence being a source of power, see Waltz 1970.

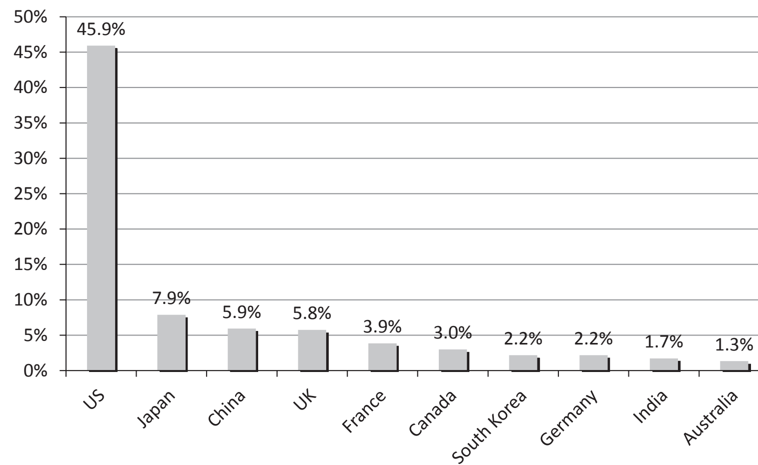

Fig 2. Top 10 National Owners of Global Top 500 TNCs, 2012. *Source. Forbes Global 2000* (2012) for rankings; Author's calculations from *Bloomberg Professional* for ownership.

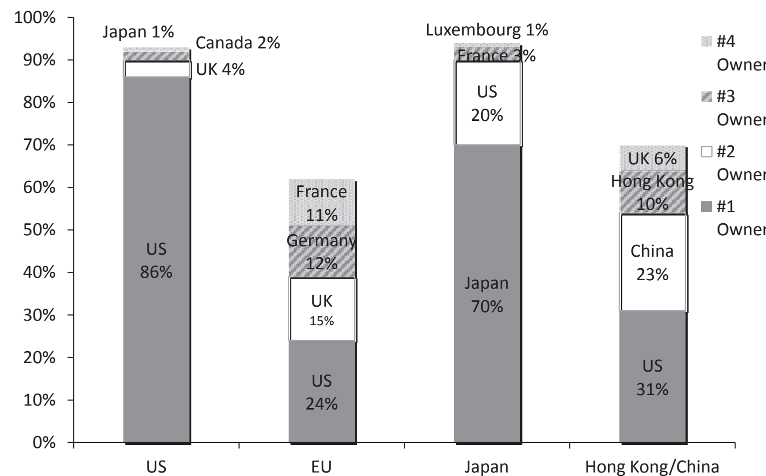

Fig 3. Top 4 Average National Owners of Top 20 Firms by Region, 2012 *Source. Forbes Global 2000* (2012) for rankings; *Bloomberg Professional* for ownership.

investment firms manage the wealth of at least some foreign clients. Thus, to get around this problem, I present data on the world's wealthiest citizens as a proxy for the world's most important investors. Figure 4 shows that 76% of the assets of North American millionaires is invested in North America, the highest of any region.[21] This suggests that the majority of assets managed by American firms is indeed ultimately owned by American citizens (albeit the precise number is impossible to determine).

Thus, as American firms own 46% of the world's top 500 corporations and American citizens ultimately own the majority share of American firms, it is not surprising that a whopping 42% of the world's millionaires are American citizens, as Figure 5 shows. In fact, Figure 6 reveals that 41% of *all* global household assets (not just millionaires') is concentrated in North America, even though by GDP the Asia-Pacific, North America, and Western Europe are roughly equal at a quarter each (see Figure 1). That American GDP accounts for "only" 22% of global GDP, while the proportion of American millionaires and total household wealth is 42% and 41%, respectively, yet again demonstrates how globalized American capital, American ownership, and American economic power has become. We cannot rely solely on national accounts if we want to meaningfully assess power in the global political economy.

Summary and Conclusion

Corporations domiciled in the United States account for the leading profit-share in eighteen of the twenty-five sectors of the top 2000 corporations in the world, and dominate across an extraordinary twelve sectors. From 2006 to 2012, this leadership has increased in six sectors, including in Computer Hardware and Software, Financial Services, and Media. American firms also make a top three presence in a further three sectors, thus having a top three presence in twenty-one of the twenty-five sectors. Its nearest competitor is Japan, whose firms account for the dominant share in one sector (the only other nationality that dominates a single sector), the second

[21] *CapGemini and Merrill Lynch* (2011:4) defines "millionaires" as those with "investible assets of US$1 million or more, excluding primary residence, collectibles, consumables, and consumer durables."

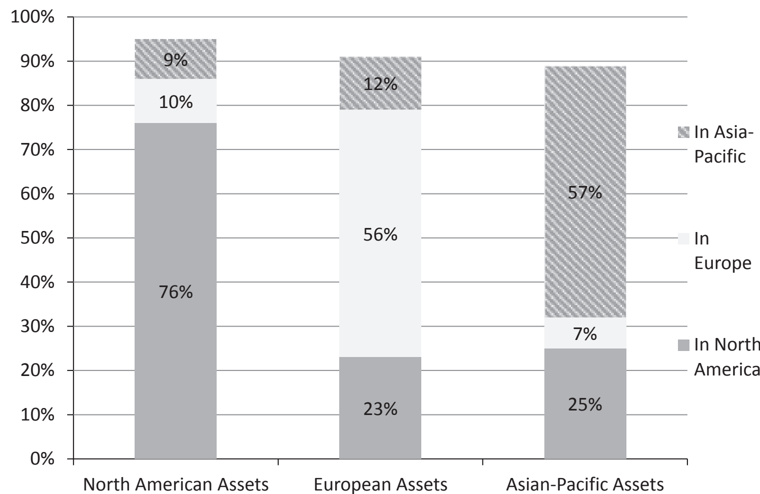

Fig 4. Regional Distribution of Triad Millionaires' Assets, 2010. *Source. CapGemini and Merrill Lynch* 2011:19, figure 11.

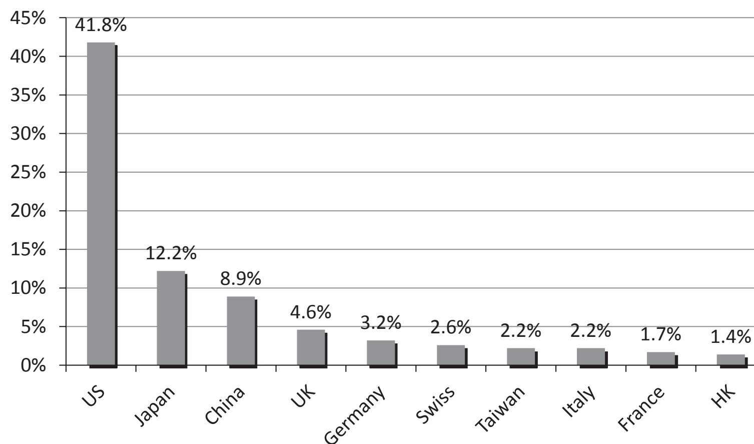

Fig 5. Top 10 National Shares of World's Millionaires, 2010. *Source.* Author's calculations from *Boston Consulting Group* 2011:9, Exhibit 4.

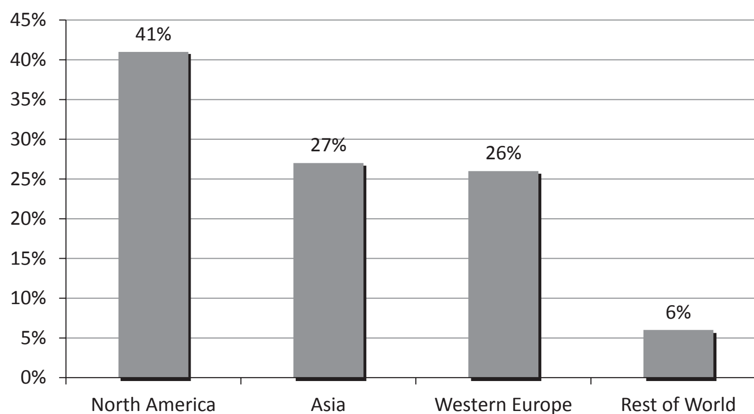

Fig 6. Triad Share of Global Household Financial Assets, 2011. *Source. Allianz* 2012:47, 55, 75; Rest of World is author's calculation.

largest in three sectors, and the third largest in five—a top 3 presence in nine sectors.[22] Clearly, no other nationality even begins to *approach* the dominance of American firms across such a vast breadth of sectors. China has certainly risen rapidly and has a leading (not dominant) share in two sectors, but on closer inspection its relative shares are not as large as one might expect from the global share of its national accounts. That is, in the era of nationally contained capital, the rise of West German and Japanese GDP correspondingly meant the rise of West German and Japanese firms across a sizable breadth of

[22] The United Kingdom also has a presence in nine sectors, but none in the top spot.

sectors. Indeed, in those sectors that the Chinese state most heavily protects and regulates—and are most nationally contained—Chinese firms have made a significant presence in the *Forbes Global 2000*: Banking; Construction; Forestry, Metals and Mining; Insurance; Real Estate; Telecommunications; and Transportation.[23] Many of these Chinese firms do not compete transnationally, however, and so their rise should not necessarily be seen as at the expense of firms domiciled elsewhere that *are* transnational. In fact, the rapid expansion and deepening of the Chinese domestic market itself often benefits foreign TNCs at the expense of Chinese firms, as in aircraft, automobiles, beverages, communications equipment, retail, and semiconductors, among many others.

Furthermore, the depth of American profit-shares across the expanse of global capitalism actually underestimates American economic dominance because American investors also own sizable shares of corporations domiciled outside the United States—sometimes even the dominant share. American firms own a combined 68% of the Australian-domiciled BHP Billiton for example, which in 2012 has a stunning 14% profit-share in the $172 billion Forestry, Metals and Mining sector. More broadly, American firms own 46% of the world's top 500 corporations (despite "only" 33% of the top 500 with US-domicile), which is almost six times greater than its nearest competitor, Japan. And note the asymmetry of cross-ownership: While the American share in many non-American corporations reaches 20% or more, the total combined foreign share of top American corporations is usually no more than 15%. Americans own much more of the world than the rest of the world owns the United States, and this asymmetric interdependence leads to asymmetric power. Perhaps one of the clearest manifestations of this is that American citizens continue to own the dominant share of global wealth at 40% or more, despite the global share of US GDP steadily declining over the past half-century to less than a quarter since 2008.

What theoretical implications can be drawn from this data? Perhaps the most obvious is a counterpoint to those who believe that globalization has made the world "flat" (Zakaria 2011; Friedman and Mandelbaum 2011) or that the nationality of capital no longer matters (Reich 1991; Robinson 2004). While globalization by definition is the expansion and deepening of cross-border flows (from global communications to global travel; global capital to global cultural exchange), the power to profit from these flows remains highly vertical with the United States at the summit. More specifically, the world's top TNCs now operate across the globe, but they are still predominantly based in a small group of nations—the United States far more than any other—and their ownership structures are still nationally concentrated. As a consequence, wealth—while geographically dispersed perhaps more than ever before—is still highly nationally concentrated. American investors more than any other nationality profit when TNCs profit, regardless of the latter's nationality or geographical location. Indeed, rather than the "globalization of capital," perhaps more apropos would be the "Americanization of global capital," as American ownership in other key regions of the world has increased since the early 1990s (see Table 2).

Moreover, to those across a wide spectrum of theoretical orientations (Gilpin 1987; Kennedy 1988; Wallerstein 2003; Arrighi 2007) who claim that hegemony based on economic preponderance is historically cyclical, we must recognize that the expansive dominance of American capitalism is historically unique. Hence, we must be cautious of historical comparisons with and trans-historical theoretical extrapolations from the experience of past dominant powers. The most common historical comparison, of course, is to Britain in the nineteenth century, but even after Britain underwent an industrial revolution and became "workshop of the world," China still had the largest economy in the first half of the nineteenth century, and Britain could not maintain its lead over a rising Germany and the United States in the latter part of the century (Lieber 2012). By contrast, the United States has maintained broad economic dominance over the past seven decades in the face of the recovery and/or rise of Western Europe and Japan, South Korea and Taiwan, Australia and Canada, and more recently Brazil, China, India, and Russia (not to mention the rise and fall of the Soviet Union), among others.

Therefore, perhaps the most important question is how do we explain the capacity of the United States to maintain its power throughout fundamental transformations in the global political economy spanning nearly three-quarters of a century? An important contribution is Susan Strange (1987) on American structural power, or the capacity of the US state to shape the structures within which others act, namely the liberal international economic order. She also emphasizes the international role of the dollar as the "super-exorbitant privilege," both for the US state and US firms. A problem in Strange, however, shared by many in International Political Economy, is the conceptualization of the relationship between state and capital as interacting but still structurally distinct and often antagonistic (see Strange 1996). Critical political economy attempts to address this false dichotomy by conceptualizing state-society complexes, in which the relationship between state and capital is organically integrated via class analysis (Cox 1987; Gill and Law 1988; Panitch and Gindin 2012; Saull 2012; Starrs 2013). Within this literature, however, there is disagreement on the nature of the American state-society complex in world order, from decline (Cox 1987) to vulnerability (Gill 2004) to persistence (Saull 2012).

Stephen Gill (2004) illuminates the deep academic, civil society, commercial, cultural, diplomatic, military, and migrant linkages the United States has cultivated with the other major capitalist powers since at least 1945 (in some cases earlier), thereby greatly enhancing American structural power. Despite this, with soaring balance of payments deficits and government debt, Gill (2004:34) expounds a common refrain shared amongst those who argue for American decline: As financial crises since the 1980s have become increasingly regular and severe, the next major financial crisis could emanate from the United States itself, sparking a collapse in global investor confidence "with the US hoist on its own petard."

By contrast Leo, Panitch and Sam Gindin (2004:73) argue that precisely because of these deep interlinkages —especially via foreign investment—between the major capitalist powers cultivated since 1945, a crisis in America is not an "American crisis," but a crisis for all. In regard to corporate ownership, these interlinkages are borne out in Table 2 and Figures 2–4, and surely, the 2008 Wall Street crash and subsequent Great Recession is no better vindication of the aphorism "when America sneezes the rest of the world catches a cold." But the opposite is also

[23] Over the past decade Chinese firms have also risen in Oil & Gas, but from 2006 to 2012 have declined from fourth to fifth place (see Table 1).

true: When America prospers so too do a generous share of the global investor class. It is this relative openness and dense web of interlinkages with other great powers (which neither China nor Japan share) that render the American state-society complex unique in world history and is essential to understanding its endurance (Panitch and Gindin 2012).

The broader point about the US dollar as global currency and US government debt as the world's premier safe-haven asset in the global financial system is that *there is no alternative* (to borrow Margaret Thatcher's mantra). And if the euro has failed to present a serious global challenge beyond the European Union (Cohen 2009), what chance is there for the renminbi with the much smaller Chinese financial market (even if Chinese capital accounts liberalize in the next decade or so, which is far from certain)? Also, Chinese dollar and US Treasury bill (T-bill) hoardings have continued to rise since 2008 despite frequent threats to seek alternatives (Morrison and Labonte 2011), largely because the United States is the only country that can run persistent balance of payments deficits—because of the global role of the dollar and T-bill (a self-reinforcing system and source of unprecedented structural power). In addition, even when Standard and Poor's downgraded US government debt in August 2011 for the first time ever, far from capital flight, global investors responded by buying *more* US government debt—simply because there is no comparable "risk-free" asset in times of uncertainty (Sullivan 2011). The T-bill market is by far the deepest, most liquid, and safest financial market in the world.[24] Thus, it serves as the universal rate of return against which other assets are benchmarked. And because it is the foundation of global finance and there is no plausible alternative system on the horizon, a collapse in confidence in US government debt would be tantamount to a collapse in confidence in global capitalism. Or, as a Congressional Report (Morrison and Labonte 2011:18) put it:

> Problems experienced in U.S. financial markets over the past few years have been widely viewed as 'once in a lifetime' events. If these events failed to cause a sudden flight from U.S. assets and an unwinding of the current account deficit by China or other countries, it is hard to imagine what would.

This is not to say that the United States does not have serious problems, from high inequality and unemployment to sluggish growth. Hence, another insight from critical political economy is that there is no assumption that the continued power of the American investor class correlates with increasing living standards for all.[25] Indeed, as mentioned above, the opposite is often true: The more profit the investor class accumulates, the less wages workers receive; hence soaring inequality, as is well-known from Joseph Stiglitz (2012) to Occupy Wall Street.[26] As for sluggish American growth in the Great Recession, what is more important to the investor class is not growth rates relative to the past but relative to present competitors.[27] And in this regard, American growth is stronger than in Europe or Japan, and key "emerging markets" such as Brazil, China, and India are significantly slowing. In fact, from 2011–2012, the American stock index has been the best performing and the Chinese the worst performing of the world's major indices (Chisholm 2012). Again, if it is difficult for some theoretical orientations (such as liberalism and realism) to reconcile persistent American economic dominance with declining living standards for most American people, critical political economy rejects the assumption that the interests of the American capitalist class align with the interests of American workers, not to mention the biosphere.

We live in the age of globalization. But we also continue to live in the age of American economic dominance. In fact, American structural power has increased since the 1950s. While the American share of global GDP was certainly larger half a century ago, domestic markets around the world were much more closed and nationally contained—not least the USSR and Maoist China. But beginning with US-led globalization in the 1960s and US-led liberalization in the 1980s, coupled with the collapse of the Soviet Union and the great opening and rise of China, among others, by the twenty-first century American structural power straddles the globe like never before. Thus, contemporary world order is probably just as unipolar economically as it is militarily. As there is no alternative to the US dollar and T-bill, no other state has the structural capacity to maintain global capitalism, and no other nation approaches the dominance of American TNCs across such a wide breadth of sectors. And with the globalization of corporate ownership, American investors *also* profit from the operations of non-American TNCs *and vice versa*, as the global investor class depends on American prosperity more than ever: All for one and one for all. But this interdependence is asymmetric—the root of structural power—as the American state-society complex remains the richest and most powerful in the world. Hence, American economic power has not declined—it has globalized, and we must move beyond national accounts and take globalization seriously in order to adequately conceptualize this transformation.

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[24] It is safest because while there can be political gridlock in the United States, very few predict political collapse and/or revolution in the foreseeable future. Also, the US, based on history and structural capacity, is deemed most likely to uphold a more or less liberal international economic order. There is no evidence to suggest that China is willing or able to supplant the US and take on this role essential to global finance (*cf.* Ikenberry 2008).

[25] The investor (or capitalist) class comprises those whose income is predominantly derived from investment rather than wages, via the ownership and accumulation of financial assets (or capital). See Nitzan and Bichler 2009, Di Muzio 2013 for a new approach towards a theory of capitalism.

[26] See Brennan 2012 for empirical analysis on this relationship in Canada.

[27] Or the distinction made by Nitzan and Bichler 2009 between absolute and differential accumulation.

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Supporting Information

Additional Supporting Information may be found in the online version of this article:

Table S1. Author's Condensation of *Forbes Global 2000* Sectors from 2006 and 2012 into Twenty-Five Broad Sectors Used in Table 1.