

The Transformation of the US's Hegemonic Paradigm: From Embedded Liberalism to Disembedded Financial Liberalism¹

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ABD Hegemonik Paradigmasının Dönüşümünün Tarihsel Süreçteki İzini Sürmek: Gömülü Liberalizmden Parçalanmış Finansal Liberalizme

Öz

Amerika'nın İkinci Dünya Savaşı'ndan bu yana dünya çapında hakim bir güç olarak ortaya çıkışı, bazı tarihsel tecrübeler ışığında incelenmesi gereken bir konudur. İkinci Dünya Savaşı'nın ardından ABD dünyanın çöken uluslararası para ve finans sistemini yeniden kurmuş, böylelikle lider pozisyonda olacağı uluslararası kapitalist sistemi oluşturmuştur. Gömülü liberalizm, ekonomik, politik ve kurumsal bir örgütlenme stratejisi olarak ABD hegemonyasını sağlamlaştırarak istikrarlı bir hale getirmiş, uluslararası sistemde ABD'nin başrol oynadığı bir küresel ekonominin somutlaşmasının koşullarını yaratmıştır. 1970'lerin ortalarından itibaren ise-neoliberal politikalara geçişin doğal bir sonucu olarak, dünya ekonomisinin finans kapital ile karakterize bir birikim rejimine entegrasyonunun ardından, parçalanmış finansal liberalizmin ABD hegemonyasının devamlılığını sağlayacak yeni bir strateji olarak etkisini göstermeye başladığı anlaşılmıştır. Çalışma, ABD hegemonyasının ortaya çıkışından günümüze kadar uzanan zaman diliminde, ABD'nin hegemonik stratejisinde meydana gelen değişimi açıklama sorunsalından hareket etmiştir. Bu sorunsal bağlamında, ABD hegemonik stratejisinin gömülü liberalizmden parçalanmış finansal liberalizme kayışı ve bu kayışı belirleyen temel dinamikler tarihsel perspektif ekseninde irdelenmiştir.

Anahtar Kelimeler: Amerikan hegemonyası, gömülü liberalizm, Soğuk Savaş, parçalanmış finansal liberalizm, finansal krizler.

Tracing the Transformation of the US's Hegemonic Paradigm in the Historical Process: From Embedded Liberalism to Disembedded Financial Liberalism

Abstract

The emergence of the United States (US) as the worldwide dominant power is an affair that needs to be investigated in light of some historical experiences. Afterward the Second World War, the US reestablished the world's deteriorating international monetary and financial system. Embedded liberalism reinforced and stabilized the US hegemony (as the form of economic, political, and institutional organization) by generating the requirements for consolidating the global economy in which the US takes a leading role. From the mid-1970s, after integrating the world economy into an accumulation regime characterized by finance capital-as, a natural consequence of the transition to neoliberal policies-it was understood that fragmented financial liberalism began to show its effect as a new strategy that would ensure the continuity of the US hegemony. The study has departed from the problematic of elucidating the change in the hegemonic strategy of the US from its birth to the present day. In this problematic context, the shift of the US hegemonic strategy from embedded liberalism to disembedded financial liberalism and the central dynamics determining this shift is examined in the axis of historical perspective.

Keywords: Embedded liberalism, US hegemony, Cold War, disembedded financial liberalism, financial crises.

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1. Introduction

The Second World War (1939-1945) represents the struggles between economies to get a larger share of global capital. The United States (US) emerged from the war as the hegemonic power. Therefore, it has tended to dominate the world in the military, economic, and technological fields. The US represents approximately half of the world economy in the post-war period. The US was the only country that could generate a new and utterly different world economy to bring the capitalist system back to life and restructure it internationally for the period in question. The US set one of its main objectives not to repeat its mistakes in foreign policies during the interwar period. In this context, it acted with regard to various economic and strategic objectives and established the Bretton Woods system. By coordinating the endeavors to rebuild the international monetary system following the war, it has formed economic and ideological interests within the national and international arena in line with some geopolitical requirements.

The economic system in the US following the Second World War relied on the idea of keeping away from the brutalities and political radicalization that emerged during the war. The laissez-faire capitalism of the pre-war period gave rise to an international decline in the financial and economic system. The rise of fascism in many nations accompanied it. Embedded liberalism was created within the direction of the US's economic, political, institutional, and cultural interests in the post-war world. Again under the leadership of the US, it fasted on to expand and restructure the world capitalist production and formed the legitimate discourses of the post-war institutional arrangements of the international system.

Marshall Plan was implemented under the leadership of the US in line with the basic principles of embedded liberalism. The Plan attempted to reconstruct the international division of labor following the interests of the US. Steps have been taken toward the economic recovery of solid and large accumulation poles such as Japan and Western Europe. In the following years, embedded liberalism imposed forms of the state which implemented "Keynesian" fiscal and monetary policies. The state understanding focuses on full employment, economic growth, and welfare, which continued as the form of US-driven political-economic organization until the mid-1970s.

A completely different process started with the introduction of neoliberal policies within the framework of the search for a solution to the structural crisis that started in the mid-1970s. Neoliberalism, like former liberalism a century earlier, adopted the idea of the self-functioning market at the national and global levels and used the state to disembed the economy from society. It is an economic order formed by societies in which the economy dominates society and labor, turning labor into a commodity. The establishment of the free market logic in the world economies and the commodification of labor (conversion of labor into a tradeable commodity for profit) brought about the disappearance of legal measures that both regulate the labor supply and protect society from the destructive effect of the market. On the one hand, the elimination of the rigidity of the labor market and the weakening of the power of organized labor; on the other, the gradual reduction of the share allocated to the social sphere in the government budgets occurred.

Through neoliberalism, world economies have entered a period shaped by a process in which the most distinctive feature of modern capitalism is characterized not by industrial capital but by financial capital. An ideology that includes concepts such as financialization, globalization, and deregulation through an attractive and misleading recipe has begun to be imposed on countries. The US hegemony has created two world economies within this framework. The first is the world economy, which existed from 1945 to the mid-1970s, mainly under the influence of the Second World War and the ensuing Cold War. The second is a heavily financialized world economy. Disembedded financial liberalism

gripped the world starting from the mid-1970s and continued to exist in world economies by consolidating under the leadership of the US.

The COVID-19 pandemic revealed how the health sector is weakened by disembedded financial liberalism and neoliberalism. Neoliberal policies-which is the representation of the accumulation regime of the US hegemony- exposed elements such as the inadequacy of the health systems in the fight against the pandemic, the inequalities in access to health services, the destruction caused by the cuts in public services, and the shaving of the social functions of the state. All those issues are shreds of evidence of the disembedded financial liberalism. On the other hand, COVID-19 has deepened the insecurity, poverty, and inequality caused by neoliberal capitalism in the lives of the working classes in parallel with increasing unemployment. However, despite all these negativities, despite the detriment of some economies in the international capitalist system, the phenomenon whose continuity is ensured through this accumulation model is American hegemony.

The study has acted from the motive of finding answers to the questions of what is the change in the hegemonic strategy of the US and what are the fundamental dynamics that determine this change in the process from its nascency to the present. The foundations of the US hegemony in terms of the economic, political, social, cultural, and institutional contexts will be investigated in this study. In this way, the foundations for the generation of embedded liberalism can be better clarified as the form of economic and political organization which enables the US hegemony to be built on a sound basis. Then, the definition and fundamental dynamics of embedded liberalism will be given. Subsequently, the main motives behind the transition of US hegemony from embedded liberalism to disembedded financial liberalism will be analyzed. Finally, the consolidation of the disembedded financial liberalism and its impact on US hegemony and the world will be outlined.

Marxist literature is the literature that the study's theoretical background extensively uses. Because it is thought that understanding what kind of accumulation model and rule regime the US hegemony has adopted since its establishment depends on examining the unequal relations within the international capitalist system. Marxist thought³ began to show its influence in the international political economy in the mid-1970s. In the context of the debates about the oil crisis in the 1970s, the collapse of the Bretton Woods System, the decolonization processes, the softening period of the Cold

³ Marxism is a philosophical, economic, political, and social approach based on the work of Karl Marx and Friedrich Engels in the second half of the 19th century. With its more formal definition, Marxism is a socioeconomic and sociopolitical analysis method that examines social class relations, social conflicts, and social transformation from a dialectical perspective and interprets historical development from a materialist (more accurately, historical materialist) perspective. Marxism should not be interpreted as a mere political movement. Today, Marxism influences a wide range of literature, from sociology to history, anthropology to economics, archaeology to art, education to geography, philosophy to political science, and psychology. The reflections of Marxist thought on the discipline of international political economy and international relations can be broadly classified as Dependency School (Frank, 1967, 1970; Baran, 1968) and World System Theory (Wallerstein, 1974, 1976a and 1976b). Theories apply Marx's concepts of class conflict and exploitation to social relations, the international capitalist system, and world politics from a historical perspective. In the theories, the dependency and class conflict between developed and underdeveloped countries is focused on the reflections of the international system through categorizing the countries as center/periphery countries. The center country exerts dominance over the periphery through economic, political, cultural, legal, and institutional means (Wallerstein, 1974), just like the dominance relationship between the bourgeoisie and the proletariat advocated by classical Marxist thought. Marxist philosophy argues that the history of the capitalist system is determined by the class struggle between the oppressors (the bourgeoisie - the owner of the means of production) and the oppressed (the working class, which has nothing to sell but their labor). Marxism argues that this struggle also determines and changes the social structure. International political economy theories that benefit from the Marxist theory have also analyzed class conflict as an international struggle by adapting Marxist thought to the interstate system. Here, the oppressed are the underdeveloped countries in the system, and the oppressors are the developed countries that exploit the developed and underdeveloped countries economically, politically, socially, and culturally. The existence of imperialism and exploitation, which constitute the essence of the capitalist system, is also valid in the interstate system. Thus, Marxism offers a holistic and critical explanation of the global political economy and modern economy (Palan, 2000).

War, and especially the decline of US hegemony, Marxist thought began to be applied to the international political economy. The existence of imperialism and exploitation, which constitute the essence of the capitalist system, is also valid in the interstate system predicated on the capitalist production style. Thus, it is thought that Marxist thought offers a holistic and critical explanation of the global political and modern world economies.

2. Administration of the Post-War Economy and the Road to Embedded Liberalism

US hegemony can be traced back to the end of the Second World War. In this period, the US economy produced more than half the world's industrial output (McCormick and McCormick, 1995: 6). This was mainly because Western European and East Asian economies significantly deteriorated throughout the war. In this process, the US realized that it was required to create new strategies and forms of administration to ensure its international power continuity (Ross, 2015). In this direction, first, an international economic system was effectuated to promote and revitalize international trade in line with the basic principles of the capitalist system. Secondly, international military institutions were restructured, and an elaborate allied network was set up.

Meanwhile, several questions arose. First, how would the new international monetary order, formed by the dollar, be developed? Second, how would war-torn Western Europe be restructured in keeping with American interests? Third, how would the international division of labor be carried out in favor of the US? Fourth, which policies should be designed to combat the popularity of fundamentalist nationalist, socialist, and communist forces? Finally, how would the US restructure the unity of the capitalist world market based on multilateral trade?

In the context of all these problems, the International Monetary Fund (IMF) and the World Bank were built (Corbridge, 1994). Through these institutions, the economic structures of the nation-states which implement different policies have entered into a coordinated and harmonious form within the international capitalist system. Furthermore, the Bretton Woods system and its efforts towards stabilizing the world economy by re-fixing currency rates to the gold standard tied to the dollar is another central part of the policies put into practice (Helleiner, 2019: 1112).

The US acted from the idea that its capital would manage the world economy and that multilateral institutions would adopt its determined norms and principles (Lacher, 1999: 343-348). Within this perspective, the US tried to carve out an order with its high capacity to integrate the post-war world countries into the international capitalist system. However, the strong continuation of the Western labor movements and the elements, such as the rising communist threat, unveiled an exigency for a system and an accumulation model (Maier, 1977: 611-622). Embedded liberalism has begun to be laid out as a phenomenon providing this system and model exigency.

3. The Compromise of Embedded Liberalism and the Hegemonic Capacity of the US

Embedded liberalism was first articulated and labeled by Ruggie (1982) through his pivotal article "International regimes, transactions, and change: embedded liberalism in the postwar economic order," which was about the embedded nature of the post-war market. It moves away from liberalism's idea of a self-regulating market by revealing that it is intertwined with a political process requiring state intervention. Ruggie clarified the main philosophy and spirit of the embedded liberalism as follows:

"This was the essence of the embedded liberalism compromise: unlike the economic nationalism of the thirties, it would be multilateral in character; unlike the liberalism of the gold standard and free trade, its multilateralism would be predicated upon domestic interventionism" (Ruggie, 1982: 393).

Embedded liberalism is built on two compromises. On one side of this compromise, national economic targets such as industrialization, development, full employment, and social welfare; on the other, international cooperation and liberal multilateralism took part. First, the market is embedded in a structure of social and political constraints and regulations (Harvey, 2005: 11). More specifically, it was not allowed to regulate itself. Markets are embedded in society in a broader institutional framework with the word it contains :

“The market pattern, being related to a peculiar motive of its own, the motive of truck or barter, is capable of creating a specific institution, namely, the market. Ultimately, that is why the market’s control of the economic system is of overwhelming consequence to society: it means no less than the running of society as an adjunct to the market. Instead of the economy embedded in social relations, social relations are embedded in the economic system. The economic factor’s vital importance to society’s existence precludes any other result. For once, the economic system is organized in separate institutions based on specific motives and conferring a special status; society must be shaped in such a manner as to allow that system to function according to its laws. This is the meaning of the familiar assertion that a market economy can function only in a market society” (Cited in Bernburg, 2002: 734).

Embedded liberalism takes its roots in John Maynard Keynes’s political and economic views (Helleiner, 2006; Kirshner, 1999). After the war, the US abandoned the laissez-faire principle while regulating the international economic system. With the phantom of the Great Depression, which is still coming in sight, domestic employment and production focused on US economic policy. Firms placed reliance on aggregate domestic demand for profit and production. The repression of financial interests was essential to reconcile full employment tactics and maintain economic growth with an open free trade regime (Helleiner, 1994). In the words of Gindin and Panitch:

“The US-led postwar order is usually presented in terms of the victory of the interventionist, or welfare, economy over the market economy, which allowed states to cushion their populations from external disruptions in the context of the movement towards greater openness in the international economy. However, the notion of this so-called embedded liberalism obscures that the social welfare reforms were structured to be embedded in capitalist social relations. They facilitated not the de-commodification of society but its increasing commodification through full employment in the labor market and the consumer demand that the welfare state made possible. The social reforms of the welfare state were critical in terms of employment and income security, education, and social mobility, and they strengthened the working classes in many respects. However, these reforms were directly related to the restructuring efforts of global capitalism on an international scale.” (Gindin and Panitch, 2012: 9; Emphasis added).

In all these contexts, embedded liberalism represents the policy bundle through which states take on specific responsibilities to reproduce capitalism internationally. In the following section, Keynesian economic policies, one of the essential dynamics that enable embedded liberalism to function, will be enlightened in more detail. In addition, Fordism will be addressed as these policies’ production and accumulation regimes.

3.1. The Indispensable Dynamics of the Embedded Liberalism

Keynes founded the all-inclusive discursive coordinates of embedded liberalism. Keynesianism is an ideological term that captures the excellent view of the mixed economy in the post-Second World War years. It has functioned as the most critical component of the US’s socioeconomic and sociopolitical domination over the world and as a hegemonic accumulation system (Itoh and Lapavitsas, 1998: 207-208). On the other hand, the Keynesian compromise is an accumulation regime peculiar to the capitalist state. Its function ensures the complete subordination of labor to capital (Baca, 2021: 530; Strange, 1999: 345).

In this period, practices such as full employment and social services also preserved their existence as necessary factors for realizing capital accumulation. For regeneration after the war, the turn to Keynesian stimulus and administration lend assistance to strengthen growth and trade. Between 1950 and 1973, GDP per capita worldwide increased by 3% yearly. For the same years, trade increased by 8% per year. (Maddison, 2008: 67-70). The compromise of embedded liberalism installed the proper economic, social, ideological, and institutional conditions that eventually gave rise to an era of significantly rapid and broadly shared growth named the *Golden Age of Capitalism* (Marglin and Schor, 1991).

In addition, it is possible to talk about a period characterized by relatively moderate capitalism based on the social compromise between labor and capital. In Best's (2003: 368) words, "*embedded liberalism has embarked on certain practices and expectations to stabilize economic relations, and embodied several social goals in a normative and discursive context*" (*Emphasis added*). First, it brought along a redistribution mechanism and weighted state support in the formation of the capitalist class. World capitalism complied with the welfare state practices demanded by the working classes (Gough, 1979: 47). The *welfare state* phenomenon calmed class conflicts.

The growing and strengthening working class actively contributed to income redistribution through the political parties it supported or their unions. In the words of Harvey (2005: 155), the spectacular growth seen in the long post-war boom depends on a series of compromises among the social classes. The operations of the state have promoted the spectacular increase in profits, money incomes, and social wages of the labor class in the US and many countries, which functioned as one of the essential components of embedded liberalism⁴ (Dowd, 2006: 204).

It is also necessary to touch on the Fordist accumulation regime, representing the mass production carried on the assembly line. It was put into practice for the first time by Henry Ford, an American industrialist, business magnate, and founder of the Ford Motor Company. Fordism hinges on the centralized production in great factories and the supervision of all stages of production (Sarıöz-Gökten, 2013: 155). Fordism undertook the growth dynamics of the capitalist system as the dominant accumulation model in the world through different versions following the war. Fordism aims to spread the US production system globally and thus redefine social class relations and alliances globally. An essential pillar of world hegemony is the hegemonic power's production style and the productive and social relations determined by this style (Saul, 2012: 329).

The dissemination of the hegemon power's mode of production to the world and its success depend on the worldwide adoption of the working organizations, and socialization mechanisms brought about by that mode of production (Bieler and Morton, 2004; Cox, 1977, 1981, 1983). From this point of view, the US has set itself as one of the primary objectives for the worldwide adoption of its production style. Because production cannot be described only as a process in which goods and services are created. In addition, production is a phenomenon with political and ideological dimensions. It represents an arrangement in which every area of life is shaped, and every area becomes open to the control and determination of capital. Antonio Gramsci's (1971) views on this subject are remarkable. Fordism already became famous when he used it in 1934 in his essay "*Americanism and Fordism*" in his Prison Notebooks. However, Gramsci's vision of Fordism attached

⁴ As Polanyi evaluates, this change created a "double movement" that generated left- and right-wing movements in Europe and the United States. Following the Second World War, Western policymakers intentionally generated global and national institutions that could enhance economic interdependence while safeguarding their society from economic downturns. Contrarily, the emergence of global neoliberalism starting in the 1980s lent a hand to deconstructing embedded liberalism's moral economy and the urgencies of the state for the welfare of its society during economic contractions.

importance to different *political, cultural, and "economic"* aspects. Gramsci regarded Fordism as more than a system of material production, insisting that it was based on cultural resources and created new personality types that conformed with the hegemonic interests of the US-the leading worldwide innovator and leader of the Fordist production regime (Gramsci, 1971: 297).

The US has another critical objective, such as breaking up the rising communist wave in the Cold War conjuncture. Therefore, new weapons needed to be created by the captain of the ship of the international capitalist system to combat communism. Compatibly, the Marshall Plan was carried into effect to ensure the reconstruction of Western Europe in economic, political, and social contexts following American interests. In van der Pijl (1984: 22)'s words, through the Marshall Plan, embedded liberalism became the hegemonic control mechanism of the US. The Marshall Plan (officially the European Recovery Program, ERP) was an American initiative enacted in 1948 to provide foreign aid to Western Europe, which was carried into effect under the leadership of the 50th US Secretary of State, George Marshall. The Plan was presented to the world under the European Recovery Program's name and remained in force between 1948 and 1951.

The US has used foreign aid to prohibit the passage of many countries destined to enter the communist bloc (Magdoff, 1997: 118). By forewarning Western Europe to stay away from the *non-American part of the world*, in other words, the *Soviet bloc*, the US has effectively paved the way for its global supremacy. Furthermore, the US stipulated supporting the US foreign policy as a condition of benefiting from Marshall Plan aid. Thus, through the aid, there was a mutual trade-off between the US and its Western allies (Türel, 2017: 72-74). Thus, the US has successfully propagated its official sphere of influence and hegemony worldwide. This has led to the assumption that American values are universal. Herewith, the US hegemony is perceived as beneficial for all countries. The evaluations made by Blum on the subject are noteworthy:

"After the Second World War, the US saw an open door in front of it to dominate the world. Politically, militarily, economically, and ideologically, the only obstacle it faced was the phenomenon of communism. That is why US foreign policy institutions mobilized to defeat this enemy. The Marshall Plan formed an indispensable part of this operation. There was no other choice anyway! From the Russian Revolution to the Second World War, the mainstay of US foreign policy was anti-communism. During the war, it was interrupted for a while, and in the final months of the Pacific campaign, the fight against communism became more important for Washington than even fighting with the Japanese" (Blum, 2013: 31).

The US invested heavily in the Marshall Plan through the instrumentality of the World Bank (Table 1). The Plan rebuilt the workshop economies of Western Europe and Japan and reestablished their economic relations with great manufacturing regions in Asia, Africa, and Latin America. Within the scope of the Marshall Plan, approximately 12.7 billion dollars of resources were transferred between 1948 and 1951. Approximately 65% of this figure has been available to industrialized countries such as England, France, Germany, Italy, and Japan (Samuelson, 1980: 780). The Plan resulted in Western Europe's and Japan's rapid recovery since considerable aid and investment were supplied to Japan and Western Europe. In this period, some Central and Latin American and some Far Asian countries entered an industrialization path dependent on the US's direct investments and large companies of developed European economies (Ivanova, 2007). In the quarter Century following the Second World War, the US invested three times as much in Europe and Japan as it did in Latin America (Frieden, 2006: 292-293). Accordingly, Western Europe has rebuilt itself from the ashes of the war. On the other hand, Japan, which has grown by more than 9% for nearly two decades, has become the first non-Western country which successfully industrializes (Eichengreen and Uzan, 1992: 20). High value-added manufacturing such as cars, oil, and chemicals, became significantly embedded properties of trade and investment between industrialized states. During the 1960s, foreign direct investment grew by two times the level

of the world GDP, while international trade grew 40% faster than the world GDP (Panitch and Gindin, 2012: 114).

Table 1. US Post-War Foreign Aid (Billion Dollars).

	1945-1950	1951-1956	1957-1962	Total
Net non-military aid	17,1	11,0	11,2	39,3
Western Europe	10,9	5,4	1,0	17,3
Asia, Africa, and the Near East	4,6	5,0	8,3	17,9
Others	1,6	0,6	1,9	4,1
Net foreign debt issued	9,1	1,5	2,5	13,1
Western Europe	8,1	0,2	-2,1	6,2
Asia, Africa, and the Near East	0,7	0,8	2,8	4,3
Others	0,6	0,5	1,8	2,9
Net military aid	1,8	16,7	12,1	30,6
Western Europe	0,3	11,1	4,2	15,5
Asia, Africa, and the Near East	1,4	5,1	7,3	13,8
Others	0,1	0,5	0,6	1,3
Net total debt and aid	28,3	29,2	25,8	83,3

Source: Samuelson, 1980: 780.

The period up to about 1973 was quite favorable for Western Europe, Japan, and the U.S. Both the European Economic Community, the US, and Japan completed this period with a very bright success line with high growth rates (2.3%, 1.2%, and 4.2%) respectively and low inflation rates (4.4%, 5.4%, and 3%) respectively (Alvarez-Cuadrado, 2008: 2-5). However, while this positive picture continued, there were also harmful elements that would bring an end to it. Due to the Vietnam War, the domestic and foreign deficits of the US led to a considerable accumulation of dollars abroad. As a result, they began to shake the foundations of the Bretton Woods system. On the other hand, OPEC's raising the oil price by nearly four cards in 1973 and the defeat of the US in the Vietnam War was the last straw regarding the system's functioning. The following section will cover these developments in more detail.

3.2. Rise of the Neoliberal Movement and the Breaking of the Embedded Liberalism

The crisis of the Bretton Woods order beginning in the late 1960s demonstrates the relative decline of US industrial competitiveness, which made way for more considerable competition between the US and Europe in both the political and economic domains, eventually substantiating the collapse of the embedded liberal project itself. Moreover, the US economy began to lose its competitive advantage on a global scale due to Western Europe's and Japan's economic resurgence, the 1973 and 1979 OPEC price increase shocks, and the ongoing war in Vietnam (Caffentzis, 1973; Schmidt, 2011).

Especially towards the end of the 1960s, with the escalation of the Vietnam War, the deterioration of the balance of payments of the US and many countries, the extraordinary increase in foreign debts, the dangerous rise of the debt/capital ratio in the private sector gave birth to the overproduction crisis of a classic accumulation. As a result, general profit rates in economies began to decline. Since the mid-1960s, profit rates in developed capitalist countries tended to decrease, and the capitalist system began to give signals of crisis. In the US, Germany, Japan, and the G-7 countries, profit rates declined dramatically from the mid-1960s to the 1980s (Shaikh and Tonak, 2012: 111-172). Accordingly, it can be said that developed capitalist economies have entered a period of severe economic shrinkage. The world economy has faced the worst post-war recession. As a result of these developments, the world capitalist economy was again faced with an extraordinary accumulation crisis. The virtuous dialectic between embedded liberalism and its fundamental dynamics has begun to end.

Afterward the collapse of the Bretton Woods system in 1971, the US presented the paper dollar standard, which suspended the gold backing of the dollar. As exchange rates were henceforth adjusted to float, the US assured its financial power through the new paper dollar standard as “the volatility of other currencies was less important to Americans than the volatility of the dollar was to the Germans, the Japanese, and the OPEC and NOPEC countries” (Strange 1994: 107) in international financial markets. This implies international dependence on the dollar's security, which was effectually driven up after the collapse of the Bretton Woods system in a growingly volatile financial ambience. Hence, the US's influence in global financial markets has gradually extended. All that gave rise to the shaking of the Keynesian compromise in the 1970s by permitting neoliberals to seize the government and re-regulate to disembed the economy from society. Neoliberalism is the ideological counterpart and infrastructure of this radical accumulation regime change in the international capitalist economy. Neoliberalism was the turning point of the expiration of the state-led or Keynesian accumulation regime of capitalism.

Neoliberalism has emerged as a historical phenomenon and has been presented to solve the effects of falling profitability in economies. As a result, neoliberal views began to bubble up as a practicable alternative to embedded liberalism. As Harvey illuminates:

“The 1970s was, if you like, a moment of the revolutionary transformation of economies away from the embedded liberalism of the postwar period to neoliberalism, which was set in motion in the 1970s and consolidated in the 1980s and 1990s”.

Neoliberalism is a project to forcefully remove the limitations imposed by society on the market so that the market completely dominates social relations. Accordingly, neoliberalism created a disembedded social and international order vulnerable to socioeconomic and sociocultural crises akin to what Polanyi envisaged in his work. Disassociation between society, politics, and the economy demonstrates the disembeddedness (Polanyi, 1957: 68).

Neoliberalism has been defined by Brown (2015: 44) as “a rationality that capitalism has finally swallowed humanity.” This actuality can be observed through Margaret Thatcher's well-known discourse, “There is no such thing as society” (Thatcher, 1987). Neoliberalism also includes an ideological and political program that pushes the transformation of societies toward market dominance. Neoliberalism erodes the foundation of the social features of the state. Neoliberal policies have reshaped the market by bringing flexibility to eliminate job security, privatization, and labor market reforms to lower wages. Neoliberalism seeks to reduce capital's social security responsibilities while seeking conditions for lowering labor costs and increasing labor productivity. It also deepened societal inequalities, made the labor regime flexible and insecure, limited wage increases, regressed the right to collective bargaining, and caused severe damage to the welfare regime and the social state (Saad-Filho, 2010: 242). Therefore, millions of people today are doomed to precarious and fragmented

lives without predictability, characterized by informal, flexible, conditional, temporary employment, unemployment, uncertainty, and declining wages. In Harvey (2005)'s words, when the Thatcher-Reagan axis came to power on both sides of the Atlantic, it gave rise to neoliberalism and its riveting worldwide.

Through neoliberalism, financialization has become indispensable to the health of American capitalism. The current phase of capitalist development has been called financialized capitalism, which implies the phase where the focal point of the economy switches from production to finance, from value creation to value extraction. Samir Amin (2008) has defined this phase as an order of "oligopoly-finance capital," which has carried all the major domains of the economy (industrial production, commercialization, financial services, research, and development) under the direct domination of capital. Under the order of oligopoly finance capital, the neoliberal state has played a prominent part in shaping social relations to establish advantageous conditions for private capital accumulation. Financialization has become operational through two devices: pressures on wages and borrowings actualized within the framework of the structural adjustment policies, which have geared up the inequality between the center and peripheral countries (Portes and Hoffman, 2003). Contrary to the US, it is claimed that this situation has negative consequences for third-world countries. Moreover, through its international financial architecture, the United States has imposed its own rules on the rest of the world, determining how developing countries' domestic policies are formulated and implemented.

4. The Rise of the Disembedded Financial Liberalism

The neoliberal project removed the financial capital from its embedded place in the 1980s by the leadership of the US (Harvey, 2005: 17-21)⁵. The transformation established the legal, institutional, and market infrastructure to anchor financial liberalism. It can be implied as the *Second Great Transformation*, which demonstrates the domination of finance over industrial and commercial capital and the growing autonomy of the financial sector (Lapavitsas, 2009: 146). That process was outlined by Kevin Philips as follows:

"The US economy has evolved in the last 30-40 years in what I call financialization. Processes involving the management of money, the management of securities, corporate restructuring, the division of corporate assets into securities, the trading of futures, and other forms of custody of securities are constantly replacing the act of producing, developing, and carrying something" (Philips, 2002: 53).

Many financial innovations, such as futures exchanges, options, derivatives, and high-risk mutual funds, were encouraged during this period. Consequently, financial capital—stocks, bonds, foreign exchange, and more exotic financial instruments—has increased worldwide at an astonishing rate. This process has led to the emergence of a financial structure that increasingly acts independently from the field of production (Foster, 2008: 39). The mobility of financial capital, which experienced a fermentation phase in the 1980s, increased faster than previously predicted in the 1990s, and the

⁵ Various data can support Harvey's argument. As a measure of a large-scale shift in the investment flow from the production of industrial goods to the finance, insurance, and construction sector, the increase in gross fixed capital formation (investment) in the industrial sector over time can be investigated. From the end of the Second World War through the 1970s, the total increase in industrial goods (mining, construction, and manufacturing) in this type of investment was around 32 percent worldwide. However, in the 1980s and 90s, this rate was only 18 percent. Conversely, in the finance, insurance, and construction sector, the share of investment flow, 16 percent between 1945 and 1980, increased to 30 percent in the 1980s (Epstein, 2005: 28, 32-37).

internationalization of it reached very high levels⁶. Afterward the collapse of the Soviet system and the end of the Cold War, the inception of a new capital accumulation process- namely *financial globalization*- accelerated that. In pursuit of the Soviet collapse, financial liberalism became institutionalized in the so-called Washington Consensus, which promotes all the principles and norms of the free market economy. It also symbolizes the switch from embedded liberalism characterized by repression of finance (Helleiner, 1994, McKinnon, 1973) to the liberation of finance from its post-Second World War restrictions (Panitch and Konings, 2008: 19). In addition, a period has come forward in which finance capital owned up to new functions as a facilitator, shaper, and developer of markets in general (Vormann and Lammert, 2019: 18-22).

The financial liberalization policies supported by the IMF (under the control of the US) led to significant foreign capital inflows to developing countries. This has resulted in a credit boom, and a succession of financial crises as national banks take huge risks. While financial markets have been liberalized with free capital movements, financial crises have also become globalized. Uncontrolled liquid international capital movements have led to speculative bubbles, and the neoliberal counter-revolution laid financial crises in developing countries, the foundations of which in the mid-1970s. 1994-1995 Mexico, 1994 Argentina 1997 East Asia, 1998 Brazil, 2001-2002 Argentina crises sparked off the deep recession tendencies across the world (Bimay and Kaymak, 2019: 26). Therefore, governments have had to accept the liberalization and austerity programs proposed by the IMF, one after another. The main forces designating the IMF's policies are the US and other countries (Chang and Grabel, 2004). Financial liberalism is an alternative way for the US and other center Western countries to gain structural power at the expense of the socioeconomic backwardness of Third World countries. In terms of its hegemonic interests and its motives to maintain its power in the global economy, the US has imposed financial liberalization on many countries (Soederberg, 2004: 1). Amin's statements on the subject are proof of how the US and its hegemony have benefited from this crisis-ridden process in economic and political contexts:

“The financialization perspective- the new dogma of neoliberalism imposed by the IMF-has only one purpose. The purpose is to accelerate the transfer of capital toward the US to close its foreign trade deficit. The deficit in question is itself the result of the weaknesses of the American economy and its strategy of controlling the planet militarily” (Amin, 2019: 87).

The deepening and integration of financial markets are essential to financing the US's balance of payments and budget deficits. With this method, the US can attract more than 2 billion dollars of global savings daily (Bond, 2004: 162). This situation plays a vital role in the continuity of US hegemony through an accumulation strategy based on finance capital.

The financial crisis of 2007-2008-the eruption of the US mortgage bubble, and the collapse of Wall Street also reflect the fundamental contradictions of capital accumulation and class formation in the neoliberal era (Gough, 2011). The crisis can be defined as the emergence of the contradictory nature of the capitalist mode of production in finance. As time passes, it has increased the shocks realized in the economic, political, and social domains (Savran, 2013: 103-119). The crisis, first triggered by financial turmoil in the center of capitalism in the American economy, soon affected many developed and underdeveloped world economies. It deepened through a debt crisis, European unemployment,

⁶ World foreign exchange transactions, which were only about 190 billion dollars a day in the 1970s, reached 1.2 trillion dollars a day in the early 1990s and 1.8 trillion dollars today. For every one dollar used in the real sector, a transaction volume of roughly about thirty dollars is realized in the world financial markets, and banks, which are the leading actors of global financial capital, are increasingly internationalizing their transactions in this process (Petras and Weltmeyer, 2001: 16-18). To elucidate with another example, loans given by international banks to developing countries were only 2 billion dollars in 1972, and this figure reached 90 billion dollars in 1981 (Strange, 1994: 110-112).

and a great recession affecting developing countries. The financial crisis started in the US and was somehow exported to almost the whole world by the US again. The internal and external balance of the US economy, which deteriorated for a short time, almost exported financial fragility to the rest of the world. The worldwide financial collapse has been severe and contagious because financial production has reached an excessive swelling relative to real production. Undoubtedly, the world has witnessed the process that Karl Polanyi Levitt describes as *great financialization*⁷ since the 1970s. The worldwide increase in financial profit rates in total profit shares, the increase in debt relative to Gross Domestic Product, the growth of insurance and real estate markets, the spread of exotic and fuzzy financial devices, and the increasing role of financial bubbles can be considered as the most important indicators of the great financialization process⁸. To set an example, in 1957, the manufacturing sector accounted for 27 percent of the US Gross Domestic Product, while the financial, insurance, and real estate markets covered 13 percent. In 2008, however, this relationship was reversed; while the manufacturing sector fell to 12 percent, the finance, insurance, and real estate market share increased to 20 percent (Foster, 2011: 29).

The financial collapse brought about a decline in world trade, economic contraction, and, as an inevitable consequence, a decrease in government revenues in many countries. However, the populist movements and their representatives could not prevent the political and economic measures from being taken in line with the discourse of *more disembedded financial liberalism*⁹. The crisis has intensified the proletarianization of the social strata. One of the main tendencies of US-led modern capitalism is to produce inequality, which is a great contradiction in the mode of production (Kiely, 2015). As advocated by economists such as Paul Krugman (2011) and Joseph Stiglitz (2009), one of the leading causes of the 2008 crisis was the excessive borrowing of low-wage workers from banks. The functioning of the production system creates inequalities in the sociopolitical and socioeconomic context. It is possible to talk about the existence of income distribution in favor of the upper classes holding the finance capital and the growth funded by debts through financial liberalism in the US. The 2008 crisis can be considered a clear manifestation of this system and an unfortunate result. There is

⁷ The US is the most financialized economy in the world. Between 1960 and 2006, its financial sector rose from 14 percent of the GDP to 20 percent (Mah-Hui and Siam-Heng, 2021: 86; Orhangazi, 2008: 12-14). The financial sector became two times as significant as the following two sectors- trade at 12 percent and manufacturing at 11 percent. If the financial business of non-financial corporations is accounted for, the financial sector would be even greater. At 20 percent of GDP, the financial sector absorbed 40 percent of total corporate profits in 2001 (Wright and Rogers, 2015: 208). Regarding financial markets, at the end of 2020, the US stock market was 238 percent of its GDP; in 2019, the global foreign exchange market was 21.5 times the world GDP (Mah-Hui and Siam-Heng, 2021: 86).

⁸ Debt has become a systemic problem, but not because of the greed of lenders and borrowers. Instead, debt came to the fore in the absence of the redistributive policies of the liberal social democratic welfare state. The expansion of consumer credit and the invention of new financial instruments have accelerated this situation. The weakening of the welfare state by neoliberalism and the privatization of sectors that provide essential public goods, such as education, health, housing, transport, and childcare that supplement households' typical budgets, meant consumers had to borrow to make a living. On the other hand, the deregulation of financial markets and extraordinary innovations in communication technologies have led to an unprecedented deepening, expansion, and diversification of financial instruments.

⁹ The crisis caused great global turmoil. The worldwide rise in post-crisis poverty has led to significant social movements. In 2011, it led to protests against austerity policies in European Union countries such as Greece and Spain. In Western Europe (EU-15), the economic crisis, whose effects were felt radically, and austerity policies led to deterioration in working conditions, lower real wages, and poverty. This resulting inequality and poverty strengthened ultra-nationalist movements, as evidenced by the European elections in May 2014, due to the increasing backlash in many countries. In addition, many governments have set a social agenda characterized by rising unemployment and competition in the labor market. The UK's process of leaving the European Union (Brexit) in June 2016, Donald Trump's election to the US Presidency, and the success of many populist movements in the world since 2016 are also significant developments (Cox, 2017; Ingram, 2017). All of this arises from the vulnerabilities attributed to the effects of financial liberalism detached from its social context.

a clear link between the increasing dominance of rentier capitalists, who profited from all these developments, and the hegemonic domination projections of the US¹⁰.

5.The Illusion of Re-Embedding Finance into Economy and Society & the Lessons of COVID-19

Throughout history, the world has faced many pandemics, such as smallpox, tuberculosis, the 1918 flu epidemic (Spanish flu), and the plague- still considered the deadliest pandemic known as the Black Death. The COVID-19 pandemic is just one and the last of the pandemic that has had an impact worldwide. Nevertheless, the current pandemic, like other pandemics in history, undoubtedly deserves to be discussed regarding its social effects, as it inevitably brings many changes.

COVID-19 symbolized an unexpected and unprecedented social, economic, and political crisis. The COVID-19 crisis has given rise to dramatic stock market shifts, increased unemployment to a record level, brought about travel restrictions, and swamped healthcare worldwide. The economic effects of the COVID-19 crisis are unlike anything we have ever passed through. COVID-19 has uncovered the disembedded character of financial liberalism. Since it uncovered the growing inequalities, ecological crises, and widespread unemployment in many world economies, this mass health pandemic hit the most undefended masses and the labor classes worldwide. Millions of people have already become unemployed, and many more will become employed anytime soon¹¹.

The shock of the pandemic brought remarkable increases in public trust and confidence in the government in many countries. Orthodox principles of economics refer to an image of the economies as disembedded from and independent of society, which first attempted to deal with the pandemic as an external shock that averts the effectual operation of markets. The pandemic *supposedly* obliged policymakers, economists, and everybody else to regard the excellent portrayal by altering their views about the self-contained, effective markets as the backbone of the economy by embracing the fact that markets are embedded in society and nature. The pandemic pushed many governments to set up comprehensive cautions such as income assurance, self-employed workers, and small business support plans, some of which approximate universal basic income programs (Jones and Hameiri, 2022). But only in a cursory context!

For instance, in the US economy-where, economic relationships are much more disembedded, the moral economy more broken, and individualist-the public disproportionately backed up individualized benefits. It also supported individuals and firms directly influenced by the pandemic's economic consequences. The United Kingdom Institute for Government notified that public loans during the

¹⁰ A century ago, John A. Hobson demanded higher taxation of the incomes generated as a result of financial speculation in order to create a working class and middle class with an equal distribution of income and better socioeconomic conditions (Hobson, 1898: 179). The current shift to financial rentiers creates the very conditions that Hobson warned about in the context of Great Britain a century ago. The growth of the financial rentier economy, and the external drive for spillover that has long been evident in US history, is fueled by an investment policy that disproportionately favors the very rich in taxation and government spending priorities. Furthermore, all this is accomplished through the diminishing power of the trade unions and the working class. There is a transformation of labor into the hegemonic power domain of the upper fractions of capitalist classes through financial liberalism. It may be added to this analysis that the power of the United States to command the system in this direction is in part dependent on the strength of the US state, the continued use of the dollar as a reserve currency, and, ultimately, other factors based on US hegemonic power.

¹¹ Job losses due to the COVID-19 pandemic in the US have generated a status unmatched by any previous turndown. During the 1975 stagflation, 2.24 million people, about 1% of the US population, became unemployed; during the 2009 great recession, the number was 2.64 million, about 0.9% of the population. The number of initial jobless claims in the US over the last four weeks (March 15 to April 15, 2020) of the COVID-19 pandemic lockdown was 22.03 million, about 6.7% of the US population (Badkar and Greeley 2020). After the outbreak of the COVID-19 pandemic, a capitalist system that was already in recession has gotten into a deep depression. Likewise, the history of the capitalist crisis, the dead weight of this depression, will also be shifted to the common masses through powerful political institutions.

COVID-19 pandemic would be 317.4 billion above the government programs (Lilly et al., 2017: 6). The continuation of production at the expense of human life with the ambition of profit came to the fore. Also, the financial packages offered to large companies instead of the public and the health sector show the natural face of the system. More significant financial support is given to protect private businesses from the detriments of the crisis. The Institute forecasts that two-thirds (64.5%) of the additional borrowing was provided to promote the private sector (Lilly et al., 2017: 6-7).

Signals of what waits for the labor classes are also explicit: in the US, the global center point of both neoliberalism and the pandemic, unemployment increased to 14.7% in April, again the most severe since the Great Depression (BBC 2020). Moreover, in August, the real unemployment rate, which contains underemployed and marginally connected with the labor market, hit 16.8% (Hindery 2020), with a substantial number of disproportionate women and the smaller number of workers facing permanent job loss (Sumonja, 2020: 217-218). Unemployment has heightened to historic levels while the financial sector is rapidly recovering from its lows.

Capitalist relations of production are based on exploitation in all areas where it dominates economically and ideologically. Unfortunately, in the last few decades, with the dissolution of the social state phenomenon in the world, health has become a privilege that can be enjoyed by those who are financially able since almost all human rights seem like commodities and services. This US-led model has spread worldwide through the policies of the IMF and the World Bank, and the health system is almost wholly privatized in the world economies. For this reason, the pandemic has hit the poor harder.

Polanyi's notions figure out COVID-19 as a socioeconomic and socio-institutional fact. His notions of embeddedness and disembeddedness give groundbreaking perceptions into the question of what must be done to set aright the cases that gave rise to the pandemic. Disembedded economies generate severe conditions of what Polanyi named social dislocation. Social dislocation brought forward fencelessness, instability, and a lack of certainty and weaknesses as people attempted to steer everyday life through volatile or market-based systems. Also, the crisis led by the pandemic is not the result of iron laws but of a policy regime reported by an ideological discourse that drove the US to the hegemonic dominance in the economic system from the 1980s forward. The winner and beneficiary of the crises have always been the US (Table 2).

Table 2. The transformation of liberalism as the accumulation and domination mechanism of the US hegemony.

	Embedded Liberalism (1945-1971)	Disembedded Financial Liberalism (1971 to present)
Powers and Interests	-U.S. as benevolent hegemon -Capital/labor compromise	-US financial hegemony -Finance capital/labor compromise
Ideas and Production Regime	-Embedded Liberalism -Keynesian Economics -Bretton Woods system -Fordist accumulation regime -Repression of finance	-Neoliberalism -New Classical Economics -Liberal financial system -Post-Fordist accumulation regime ¹² - Liberation of finance from its post-Second World War restrictions

Source: Helleiner (2006), Wade (1998), and author.

Table 2 depicts how liberalism has changed-as the hegemonic accumulation and domination model of the US-during the course of history with its associated rules, ideas, and institutions. US's different stances can be attributed to domestic and foreign political interests and conflicts (Cohen, 2007).

It is possible to mention the existence of the era in which finance has become the primary vehicle for expressing the logic of the US hegemony in the international capitalist system that has dominated the world for the past few decades (Harvey, 2019: 162). Like the vulture capitalism through the discourses of the laissez-faire and laissez-passer (let do, let go, let pass) paved the way for Marxism in the 19th Century, the capitalism of the last few decades has brought up an imposition characterized by world financial markets. The reality today is that the desire and tendency to make money from money without producing is a model that enables the US to maintain its hegemony. This model has been spread and imposed globally over the last few decades, thanks to a system of economic and political accumulation leaning against financial liberalism. This process is still ongoing, and it looks like it will continue.

The issue of how the COVID-19 process can lead to a transformation in the struggle for global hegemony and how it will affect the US-Chinese competition has been one of the most frequently discussed topics in the international political economy literature for the last few years. It is thought that opening a special parenthesis on this subject will benefit the study. The remarkable rise of China in the global economy over the last few decades (especially after its integration into global capitalism

¹² Post-Fordism represents the shift from mass production of standardized products at large plants to short-run production for a broader, specialized market spectrum. Large numbers of semi-skilled workers no longer needed to be brought together in extensive production facilities, as in the Fordist production system. The paramount need now was to combine the output created by many relatively small-scale production units with varying demands. Extensive facilities, the labor force employed, and the high fixed cost of warehousing had to be reduced for greater flexibility in employment and outsourcing. Post-Fordism was built on the fragmentation of labor markets. This was accompanied by weakening organized labor and an attack on the welfare state (Tauss, 2012).

in 1978) has attracted the attention of many theorists. The question of whether China will replace US hegemony has been asked more frequently with the health crisis brought about by the COVID-19 process and the economic, social, and financial crisis (See Fayyaz and Malik, 2020; Gauttam et al., 2020; Norrlöf, 2020; Yuan, 2020). Disturbed by this rise of China, the Trump administration aimed to put China in a difficult economic situation with trade wars before the pandemic (Boylan et al., 2020; Lau, 2020). The US blamed China for the spread of the COVID-19 virus worldwide and stated that they were "in the war against the Chinese virus."¹³ The addition of COVID-19 to the existing trade wars between China and the US has fueled the strategic conflict between the two great powers. However, despite all these adverse developments, it is thought that the scenario of China becoming a superpower by shaking the throne of the US is not very possible, at least in the short term.

Samir Amin has an explanatory theoretical framework regarding what hegemony means in the international capitalist system and the extent of power dynamics that the hegemonic actor dominating the system should have. Amin sets out this framework as follows:

"In my theoretical understanding, hegemony is multidimensional, relative, and always under threat. Multidimensionality means that hegemony not only consists of high productivity in key sectors, technological superiority, having a decisive weight in world trade, controlling the most effective foreign exchange, etc., but also encompasses political, ideological, cultural, and military fields" (Amin, 2019: 104).

Looking at the issue in terms of the scope of this hegemony concept put forward by Amin, it can be noticed that China does not have most of the dynamics listed here that a hegemonic power should have. As Brzezinski (1997) also pointed out, the US excels in four defining areas of global power: military, economic, technological, and cultural.

It is insufficient to look at the phenomenon of hegemony with a one-dimensional and traditional understanding of power. A hegemonic power must also have the power to lead and enforce the system's rules. For this, it is necessary to have an intellectual power reaching minds. Domination alone will not work. The writings of Antonio Gramsci (1971), who perhaps had the most influence among the theories of hegemony on this subject, offer some perspectives that can help us determine whether China has hegemonic potential. Hegemony is based on the dialectical coexistence of consent and coercion. The element of consent is sometimes more important in this coexistence (Gramsci, 1971). Does China have the power to establish hegemonic consent in the international capitalist system?

What makes the US different from China is its role and mission. The US created and continues to create the world system with its institutions and ideology. The US spearheads ideas that appeal to many people in many parts of the world, such as democracy, fundamental freedoms, and human rights and make them a mission. Compared to this, China has not yet pioneered and advocated an idea that will appeal to the world's people. While there is no doubt about China's cultural appeal, there is nothing to make China a leader in the academic field. The US is ahead of China in other fields, such as science, technology, and education. For example, 27 of the top 100 universities in the world leading universities are in the US¹⁴; China has only seven universities in the top 100. China has a much larger population but spends much less on education, research, and development than the US¹⁵. Most studies

¹³ In order to get more information about the subject see: <https://www.sfchronicle.com/politics/article/Trump-It-s-the-Chinese-virus-and-15140704.php>. (Date of Access: 30 January 2023).

¹⁴ In order to get more information visit: <https://www.topuniversities.com/student-info/choosing-university/worlds-top-100-universities>. (Date of Access: 30 January 2023).

¹⁵ China spent a record 3.09 trillion yuan (\$443 billion) on research and development in 2022, accounting for 2.55 percent of the GDP last year, while the US spent 612 billion dollars, accounting for 3.5 of its GDP. US's population in 2022 is 334 billion,

comparing China and the US fall into economic reductionism by limiting their analyses only to economic growth figures. However, the rise should be handled in a way that includes the concept of hegemony. At this point, it turns out that China is far behind the US. While the US gives the image of a global state, China has the image of a nation-state. The US is a transnational state that has spread its influence worldwide in the last few decades. Even if China surpasses the US in economic and technological fields, this does not mean that China can reach the level of efficiency that the US had in the second half of the 20th century. Sometimes it can be said that being the state with the largest Gross Domestic Product in the world does not imply that that state is the most powerful and attractive country in the world. It seems that China will take much longer to become a hegemon. However, although China cannot establish global hegemony in the international capitalist system, it will remain an important actor.

Since a detailed comparison of the US and China in terms of the power dynamics that constitute the hegemony should be the subject of another study, we tried to address the issue with its main lines because the subject of the study is focused on the problem of examining the transformation of liberalism as an accumulation strategy and domination regime of the US hegemony in about three centuries since its foundation.

6. Conclusion

In the study, the evolution of the hegemonic strategy of the US has been shed light on from its emergence to the present. It has been revealed that the US hegemony continued its hegemonic strategy from its foundation after the end of the Second World War until the mid-1970s by adhering to embedded liberalism and its essential dynamics. However, the situation has changed with the spread of neoliberal policies worldwide since the mid-1970s. As a result, the US has developed a new hegemonic strategy to place its hegemony on solid foundations. This is disembedded financial liberalism, which corresponds to a strategy in which the capitalist system is primarily characterized by financial capital, and the state apparatus in world economies largely diverges from its social character. In this context, the shift of the US hegemonic strategy from embedded liberalism to disembedded financial liberalism and the main factors determining this shift are investigated from the historical perspective.

It can be claimed that the transition from embedded liberalism to disembedded financial liberalism implies the move from the Keynesian welfare state period to the neoliberal, market-based disciplinary organization. These advancements result from dramatic transformations in the social foundation and US-led global capitalism's political and institutional structures. These transformations have deteriorated the grounds of the post-war international order, presented by the Bretton Woods financial order. However, on the other hand, they have paved the way for a new liberal financial structure and the generation of a vigorous political coalescence of political and economic forces, which look out for the material benefits of the US hegemony.

The Second World War reestablished production levels, employment, productivity, and profitability in the US, where the heart of the international capitalist economy beat. The process of intra-paradigm inquiry experienced by many war-torn economies has supported the US-led formation of an embedded liberal consensus formula (Ruggie, 1982) that seeks to reconcile a liberal international economic order with national orders open to sociopolitical interference. According to this formula, on the one hand, steps to be taken toward the liberalization of trade and the creation of global markets

while China's population is 1.411 billion. In order to get more information, visit: <https://www.chinadaily.com.cn/a/202301/21/WS63cb1f80a31057c47ebaaeed.html>. (Date of Access: 30 January 2023).

were designed. On the other hand, socioeconomic intervention powers were given to nation-state governments to ensure reconciliation between different social classes of societies to ensure employment, social welfare, and equality in income distribution. National developmentalism ideologies and import-substitution industrialization strategies have gradually gained strength in peripheral countries as important policy principles of embedded liberalism. Embedded liberalism has been instrumental in an era in which the US attempts to reconstruct capitalism worldwide. Embedded liberalism allowed the US to organize political economies and manage economic policy correctly in the post-war years. In addition, it has operated to make active interventions in the economies in a way that would facilitate capital accumulation by institutionalizing Keynesian demand management via the state. The Bretton Woods institutional regime, which constitutes the backbone of the global economic governance architecture, has created a suitable international ground for adopting practices by many countries through its Keynesian demand management policies and framework to accelerate economic growth. The secure environment created by the Marshall Plan and the associated political pressure on the organized socialist movement in Europe created favorable conditions for the revival of capitalist production in war-torn Western Europe. Embedded liberalism strives to unite and adopt the idea of the dominance of the US in the international system within the capitalist order by incorporating the wishes specific to socialism. For this reason, in the competition of capitalist states with socialist states (which can also be described as the Cold War), a mixed economy and a series of related facts have been tried to be obtained for more radical demands originating from the working class and rival states within the country.

However, since the mid-1960s, some troubles began to occur in the international system shaped by developments such as the Vietnam War, the collapse of the Bretton Woods system and the rupture of the dollar-gold bond, and the oil crises, which necessitated the production of the new models in favor of the interests of the US hegemony. Accordingly, an era has begun in which the revaluation conditions of capital accumulation are at risk. These developments have weakened the social alliance and consensus built on socioeconomic goals and policies in the post-war period, both in developing and developed countries. This has brought about the deterioration of embedded liberalism. Disembedding finance capital from the real production economy became a shrewd initiative to overcome these troubles. As Marx (1894: 293) states: *"The real barrier of capitalist production is capital itself."*

Thus, the new formulation- US-led imposition of neoliberal policies- on the world came into view. As Harvey (2005: 11) clarifies, neoliberalism is a program *"to disembed capital from constraints."* According to the general understanding, neoliberalism encompasses a process in which national markets are integrated through trade and financial liberalization, and the institutions of the welfare state are dismantled through privatization. Neoliberalism has brought the priority of price stability to replace the Keynesian mandate of full employment. It is also synonymous with capitalist globalization, where the rapid deregulation of labor markets has disrupted the historical consensus between capital and labor. Through neoliberalism, the phenomenon of financialization has gained momentum across the world. A period has emerged in which banks and financial capital dominate the markets, and the financialization of production has gained weight rather than real production. This also proves that embedded liberalism has transformed into disembedded financial liberalism.

This new accumulation and hegemonic formation efforts created through financial liberalism include a multifaceted series of relations with the dynamics operating on a world scale, which has inevitably increased the contradictions and conflicts between the classes. The dominant ideology and political formations can observe the contradictions and conflicts. These new financial strategies of capital, and thus increased control abilities, have had an impact on all given social relations in the countries of the world.

Pandemics have been called turning points that have shaped human life throughout history. While each pandemic brings its methods of struggle according to the conditions of its period, it also creates social, economic, political, and psychological destruction in the societies of the relevant period. It is impossible to separate the horror of the coronavirus pandemic that has affected the world from the exploitation and insecurity caused by an economic order motivated to profit more from the commercialized and dysfunctional health systems. Throughout the pandemic process, millions of workers worldwide have been unemployed. However, it is not difficult to guess that global decision-makers, led by the capitalist class and politicians, could use the pandemic as a legitimizing device to expose the working classes to precarity. As stated by Harvey (2005), neoliberalism, as a set of economic-political practices compatible with the interests of the capitalist class, primarily targets the economic security and socio-political power of the working classes, as in many countries where it is active. It has weakened them to the benefit of those who hold *financial capital*. Due to US-led neoliberal capitalism, and mostly state-sponsored systematic attacks, it has been understood that a significant part of humanity is deprived of basic social security such as employment, retirement, health insurance, and medical care. The deepening and chronic socioeconomic insecurity are felt in many world economies in many areas. The originality of the situation brought about by the pandemic lies in the fact that uncertainty and insecurity are inherent in neoliberal capitalism, without the need for an external disaster such as war, famine, pandemic, or natural disaster. Against a hegemonic crisis caused by the economic crisis triggered by the pandemic, the possibility that the hegemonic country, the US, may turn to oppressive practices stands as a threat on a global scale.

In summary, it is possible to bring forward distinct versions of liberalism in the course of the US hegemony as both domination and accumulation. The immediate post-Second World War economic system was symbolized by embedded liberalism. The worldwide implementation of neoliberalism can be considered a significant mark in the transition from embedded liberalism to disembedded financial liberalism. Nevertheless, financial liberalism remains valid today as the US hegemony's domination and accumulation regime. The US's relevant future strategies would depend on how well the US economy would be able to cope with its problems and reform its economic and political regime in this direction.

Araştırma ve Yayın Etiği Beyanı

Çalışma etik kurul izni gerektirmemektedir.

Yazarların Makaleye Olan Katkıları

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Destek Beyanı

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Çıkar Beyanı

Çıkar çatışması yoktur.

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