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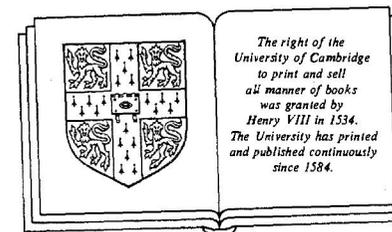
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The capitalist world-economy

Essays by

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Some reflections on history, the social sciences, and politics

I have been trained as a social scientist, have a PhD in sociology, and am at present a professor of sociology. My recent book, *The Modern World-System*, is nonetheless regarded by some people as a work of history, more specifically of economic history. I am politically committed and active, and regard open polemics as a necessary part of my *scholarly* activity. Some might feel that I am caught in a set of contradictions. I myself feel that I am being thoroughly consistent and that my concern with history, with social science, and with politics is not a matter of engaging in three separate, even if related, activities, but is a *single* concern, informed by the belief that the strands cannot be separated, nor should they if they could.

Since I am aware that this is very much a minority viewpoint in world scholarship, let me first state, quite briefly and schematically, my view of how it came to be that there were thought to be many social sciences and not one, that history and social science were distinct activities, and that scholarship and politics were not to be mixed. It was after all not always so. As late as the Enlightenment, these three cleavages – within the social sciences, between social science and history, between scholarship and politics – would have seemed bizarre to many, if not all, social thinkers, and to social thinkers of radically different persuasions.

It is only in the nineteenth century that the very words we use to describe the cleavages – economics, sociology, anthropology, political science, geography, history, and indeed politics (as quite distinct from political science) – came to be invented, or at least to be used in their current, relatively narrow sense, and more importantly came to be incarnated in segregated institutional structures – departments within universities, distinct scholarly asso-

4 ♣ Dependence in an interdependent world: the limited possibilities of transformation within the capitalist world-economy

'Dependence' has become the latest euphemism in a long list of such terms. No doubt its original intent was critical. The term itself emerged out of the 'structuralist' theories of Latin American scholars and was meant as a rebuttal to 'developmentalist' or 'modernization' theories and 'monetarist' policy views.¹ André Gunder Frank has traced its intellectual origins and its limitations in a recent combative paper entitled 'Dependence is dead; long live dependence and the class struggle'.²

We live in a capitalist world-economy, one that took definitive shape as a European world-economy in the sixteenth century (see Wallerstein 1974a) and came to include the whole world geographically in the nineteenth century. Capitalism as a system of production for sale in a market for profit and appropriation of this profit on the basis of individual or collective ownership has only existed in, and can be said to require, a world-system in which the political units are not coextensive with the boundaries of the market economy. This has permitted sellers to profit from strengths in the market whenever they exist but enabled them simultaneously to seek, whenever needed, the intrusion of political entities to distort the market in their favor. Far from being a system of free competition of all sellers, it is a system in which competition becomes relatively free only when the economic advantage of upper strata is so clear-cut that the unconstrained operation of the market serves effectively to reinforce the existing system of stratification.

1. See, as a mere beginning, Bodenheimer 1971, Caputo and Pizarro 1970, Cardoso 1971, Cockcroft et al. 1972, *Bulletin of the Institute of Development Studies* 1971.

2. See Frank 1972a; see also for a similar point of view *Frères du Monde* 1971.

This is not to say that there are no changes in position. Quite the contrary. There is constant and patterned movement between groups of economic actors as to who shall occupy various positions in the hierarchy of production, profit, and consumption. And there are secular developments in the structure of the capitalist world-system such that we can envisage that its internal contradictions as a system will bring it to an end in the twenty-first or twenty-second century.

The important thing for living men, and for scholars and scientists as their collective intellectual expression, is to situate the options available in the contemporary situation in terms of the patterns we can discern in the historical past. In this task, conceptual clarification is the most constant need, and as life goes on and new experiences occur, we learn, if we are wise, to reject and reformulate the partial truths of our predecessors, and to unmask the ideological obscurantism of the self-interested upholders of encrusted privilege.

The years 1945-70 were a period of exceptional obscurantism in all fields of study, and African studies has been in this sense typical. Liberal ideology prevailed in the world of social science reflecting the easy and unquestioned economic hegemony of the United States. But liberalism has come onto hard days - not least of all in the analysis of 'development'. If the decline of Cold War polarization in the 1960s effectively reduced the political bargaining power of African states, the beginning of a worldwide economic contraction of effective demand of the 1970s is likely to sweep African aspirations aside as those who are on top of the world heap struggle with each other to remain there. In the 1960s, African scholars began to worry about 'growth without development'. In the 1970s and 1980s, there is the clear possibility of neither growth nor development.

To understand the issues, we must successively treat the structure of the world-economy, its cyclical patterns including the present conjuncture, and the ways in which the position of particular states may change within this structure. This will, I believe, explain 'the limited possibilities of transformation within the capitalist world-economy'.

The structure of the world-economy as a single system has come increasingly in recent years to be analyzed in terms of a core-

periphery image, an image which has been linked with the discussion of 'dependence'. And thus it has been argued, for example, that Third World countries are not 'underdeveloped' nations but 'peripheral capitalist' nations.³ This is far clearer terminology, but it leads unfortunately to further confusion if the unicity of the world-system is not borne clearly in mind. Ikonoff argues, for example, that peripheral capitalist economies 'operate by economic laws and growth factors [that] are clearly different from those of the economies one might call the model of classic capitalism' (1972, p. 692). This is only so because our model of 'classic capitalism' is wrong, since both in the sixteenth century and today the core and the periphery of the world-economy were not two separate 'economies' with two separate 'laws' but one capitalist economic system with different *sectors* performing different functions.

Once one recognizes the unicity of the system, one is led to ask if the conception of a bi-modal system is adequate. Clearly, it leaves much unexplained, and thus we have seen the emergence of such terms as 'subimperial' states (see Marini 1969) or 'go-between nations' (see Galtung 1972, pp. 128-9). Both of these terms seem to me unwise as they emphasize only one aspect of their role, each an important one, but not in my opinion the key one. I prefer to call them semiperipheral countries to underline the ways they are at a disadvantage in the existing world-system. More important, however, is the need to explicate the *complexity* of the role which semiperipheral states play within the system as well as the fact that the system could not function without being *tri-modal*.

Before this explication, it is necessary to spell out one more fact. The capitalist system is composed of owners who sell for profit. The fact that an owner is a group of individuals rather than a single person makes no essential difference. This has long been recognized for joint-stock companies. It must now also be recognized for sovereign states. A state which collectively owns all the means of production is merely a collective capitalist firm as long as it remains - as all such states are, in fact, presently compelled to remain - a participant in the market of the capitalist world-

3. See, for example, the whole special issue of *Revue Tiers-Monde* 1972, especially the introduction by Ikonoff.

economy. No doubt such a 'firm' *may* have different modalities of internal division of profit, but this does not change its essential economic role *vis-à-vis* others operating in the world market.⁴ It, of course, remains to discuss in which sector of the world-system the 'socialist' states are located.

The capitalist world-system needs a semiperipheral sector for two reasons: one primarily political and one politico-economic

The political reason is very straightforward and rather elementary. A system based on unequal reward must constantly worry about political rebellion of oppressed elements. A polarized system with a small distinct high-status and high-income sector facing a relatively homogeneous low-status and low-income sector including the overwhelming majority of individuals in the system leads quite rapidly to the formation of classes *für sich* and acute, disintegrating struggle. The major political means by which such crises are averted is the creation of 'middle' sectors, which tend to think of themselves primarily as better off than the lower sector rather than as worse off than the upper sector. This obvious mechanism, operative in all kinds of social structures, serves the same function in world-systems.

But there is another reason that derives from the particular needs of this kind of social structure, a capitalist world-system. The multiplicity of states within the single economy has two advantages for sellers seeking profit. First, the absence of a single political authority makes it impossible for anyone to legislate the general will of the world-system and hence to curtail the capitalist mode of production. Second, the existence of state machineries makes it possible for the capitalist sellers to organize

4. I have argued this at length in my paper, 'The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis' (1974b, and above, ch. 1). Samir Amin makes just about the same point:

The predominance of the capitalist mode of production expresses itself also on another level, that of the *world-system* which constitutes a characteristic of contemporary reality. At this level, the formations (central and peripheral) are organized in a single hierarchical system. The disintegration of this system - with the founding of socialist states, true or self-styled - does not change anything in this hypothesis. . . . Socialism cannot be in fact the juxtaposition of national socialisms, regressive with respect to integrated (but not egalitarian) world character of capitalism. Nor can it be a *socialist system* separate from the world-system. It is precisely for this reason that there are not two world markets: the capitalist market and the socialist market; but only *one* - the former - in which eastern Europe participates, albeit marginally. (1972b, p. 13)

the frequently necessary artificial restraints on the operation of the market.

But this system has one disadvantage for the sellers. The state machineries can reflect other pressures than of those who sell products on the market, for example, of those who sell labor. What regularly happens in core countries is the operation of a guild principle which, in fact, raises wage levels. It is this to which Arghiri Emmanuel refers when he says: 'The value of labor power is, so far as its determination is concerned, a magnitude that is, in the immediate sense, *ethical*: it is *economic* only in an indirect way, through the mediation of its moral and historical element, which is itself determined, in the last analysis, by economic causes' (1972, p. 120).

The rising wages of the workers in the core countries, combined with the increasing *economic* disadvantage of the leading economic producers, given constant technological progress, and heaviest investment in rapidly outdated fixed capital by precisely the leading producers, leads to an inevitable decline in comparative costs of production. For individual capitalists, the ability to shift capital, from a declining leading sector to a rising sector, is the only way to survive the effects of cyclical shifts in the loci of the leading sectors. For this there must be sectors able to profit from the wage-productivity squeeze of the leading sector. Such sectors are what we are calling semiperipheral countries. If they weren't there, the capitalist system would as rapidly face an *economic* crisis as it would a *political* crisis. (How, incidentally, this shift of capital investment would operate in a world capitalist system composed of only state-owned enterprises is an interesting question, but not one for the moment we are called upon to analyze.)

How then can we tell a semiperipheral country when we see one? Even if we admit a tri-modal system, it would be an oversimplification not to bear in the front of our mind that each structural sector contains states of varying degrees of political and economic strength. Furthermore, each sector contains some states that are seeking to move (or *not* to move) from one structural position to another (and for whom such a move is plausible) and other states that for the moment are mired in the location where they find themselves.

Nonetheless, it is important to spell out some defining charac-

teristics of a semiperipheral state, as opposed to a core or a peripheral state. If we think of the exchange between the core and the periphery of a capitalist system being that between high-wage products and low-wage products, there then results an 'unequal exchange' in Emmanuel's conception, in which a peripheral worker needs to work many hours, at a given level of productivity, to obtain a product produced by a worker in a core country in one hour. And vice versa. Such a system is *necessary* for the expansion of a world market if the primary consideration is *profit*. Without *unequal* exchange, it would not be *profitable* to expand the size of the division of labor.⁵ And without such expansion, it would not be profitable to maintain a capitalist world-economy, which would then either disintegrate or revert to the form of a redistributive world-empire⁶

(What products are exchanged in this 'unequal exchange' are a function of world technology.) If in the sixteenth century, peripheral Poland traded its wheat for core Holland's textiles, in the mid-twentieth-century world, peripheral countries are often textile producers whereas core countries export wheat as well as electronic equipment. The point is that we should not identify any particular product with a structural sector of the world-economy but rather observe the wage patterns and margins of profit of particular products at particular moments of time to understand who does what in the system.

In a system of unequal exchange, the semiperipheral country stands in between in terms of the kinds of products it exports and in terms of the wage levels and profit margins it knows. Furthermore, it trades or seeks to trade in both directions, in one mode with the periphery and in the opposite with the core. And

5. See Samir Amin: 'Central capital is not at all constrained to emigrate because of a lack of possible [investment] outlets in the center; but it will emigrate to the periphery if it can get a higher remuneration there... It is thus here that we insert the *necessary* theory of *unequal exchange*. The products exported by the periphery are interesting to the degree that - other things being equal and here this expressions means of *equal productivity* - the remuneration for labor is less than it is in the center. And this is possible to the degree that society is forced by various means - economic and extra-economic - to play this new role: furnish cheap manpower to the export sector' (1972a, pp. 707-8).

6. It would take us far astray to develop this here. What I mean by 'redistributive world-empire' is defined in my 'The Rise and Future Demise...'. It would be interesting to see if it were not such processes as these which account for the stifling of nascent capitalist elements in such ancient systems as the Roman Empire.

herein lies the singularity of the semiperiphery as opposed to both the periphery and the core. Whereas, at any given moment, the more of *balanced* trade a core country or a peripheral country can engage in, the better off it is in absolute terms, it is often in the interest of a semiperipheral country to *reduce* external trade, even if *balanced*, since one of the major ways in which the aggregate profit margin can be increased is to capture an increasingly large percentage of its *home* market for its *home* products.

This, then, leads to a second clear and distinctive feature of a semiperipheral state. The direct and immediate interest of the state as a political machinery in the control of the market (internal and international) is greater than in either the core of the peripheral states, since the semiperipheral states can *never* depend on the market to maximize, *in the short run*, their profit margins.

The 'politicization' of economic decisions can be seen to be most operative for semiperipheral states at moments of active change of status, which are two: (1) the actual breakthrough from peripheral to semiperipheral status and (2) strengthening of an already semiperipheral state to the point that it can lay claim to membership in the core.

The political economies of the various sectors of the world-economy show distinct differences in patterns at various moments of the long-run cycles of the world-economy. It was rather convincingly established by the price historians who began writing in the late 1920s that for a very long period the European world-economy (and, at least since the nineteenth century, the whole world) has gone through a series of systemic expansions and contractions (see a summary and synthesis of this literature in Braudel and Spooner, pp. 378-486). It should be obvious that when the system as a whole is in economic crisis, some parts of it may have to pay a price in relative position as a result of the conflict engendered by the enforced redistribution that follows on economic contraction. But what does that mean for the nations of the periphery and the semiperiphery? Is world economic crisis their bane or their salvation? As one might guess, the answer is not easy.

Clearly, as a general rule, there is more pressure for reallocation of roles and rewards in all systems at moments of contraction than at moments of expansion, since in moments of expansion even

groups that are less rewarded may obtain an *absolute* expansion in reward, whereas in moments of contraction even those who are most highly rewarded are threatened with *absolute* decline, in which case one way to maintain an evenness in absolute reward is to seek an increase in *relative* reward. This general proposition applies to world-systems as well.

A pressure to reallocate roles and rewards can have two different outlets: one is circulation of the groups who play different roles, and hence what is increase for one is decrease for another. A second is the redistribution of rewards among different roles in a more egalitarian direction. Within the modern world-system, much historical change has been justified in the name of the latter objective, but the reality thus far of most such change has been the former. One fundamental explanation is that the framework of the capitalist world-system limits critically the possibilities of transformation of the reward system within it, since disparity of reward is the fundamental motivating force of the operation of the system as it is constructed.

To be very concrete, it is not possible theoretically for all states to 'develop' simultaneously. The so-called 'widening gap' is not an anomaly but a continuing basic mechanism of the operation of the world-economy. Of course, *some* countries can 'develop'. But the some that rise are at the expense of others that decline. Indeed, the rest of this paper will be devoted to indicating some of the mechanisms used by the minority that at given moments rise (or fall) in status within the world-economy.

There is an alternative system that can be constructed, that of a socialist world government in which the principles governing the economy would not be the market but rather the optimum utilization and distribution of resources in the light of a collectively arrived at notion of substantive rationality. I say this not in order to develop further how such a prospective system would operate, were it in existence, but rather to emphasize that the nationalization or socialization of all productive enterprises within the bounds of a nation-state is not and theoretically cannot be a sufficient defining condition of a socialist system, even if the whole nation thinks of socialism as its objective. As long as these nations remain part of a capitalist world-economy, they continue to produce for this world market on the basis of the same

principles as any other producer. Even if *every* nation in the world were to permit only state ownership of the means of production, the world-system would still be a capitalist system, although doubtless the political parameters would be very different from what they presently are.

Let me be very clear. I am not suggesting that it does not matter if a country adopts collective ownership as a political requirement of production. The moves in this direction are the result of a series of progressive historical developments of the capitalist world-economy and represent themselves a major motive force for further change. Nor am I in any way suggesting the immutability of the capitalist system. I am merely suggesting that ideological intent is not synonymous with structural change, that the only *system* in the modern world that can be said to have a mode of production is the *world-system*, and that this system currently (but not eternally) is capitalist in mode.

It is important to cut through the ideological veneer if we are to notice the differences among those countries in the periphery seeking to become semiperipheral in role, those countries in the semiperiphery seeking to join the core, and those countries in the core fighting against a declining economic position.

The shift to which most attention has been paid in recent years is the shift from being peripheral to being semiperipheral, although it is usually discussed abstractly as though it were a question of shifting from periphery to core.⁷ But this is not the shift that is, in fact, made. Countries have not moved, nor are any now moving, from being primarily exporters of low-wage products to being substantial exporters of high-wage products as well as being their own major customer for these high-wage products. Rather, some move from the former pattern to that of

7. For example, Samir Amin's discussion (1972a) argues that there are two models of capital accumulation, each a 'system', one peripheral and one self-centered ('*auto-centré*'). But when he cites a case that uses what he argues is the correct strategy of 'self reliance', Vietnam, he talks of Vietnam having reached 'an effective first stage of the transition' (p. 717). But what is the structural composition of this 'first stage' in terms of the world-economy which Amin agrees is single? This is not spelled out. But it is I should think very important to spell out. Amin is in favor of 'self reliance' but not of 'autarchy', for example. In practice, Amin distinguishes not only between most peripheral countries and Vietnam, but also between two stages of 'peripheral domination', which leads to his calling Brazil a 'very advanced underdeveloped nation' (pp. 720-1).

having a higher-wage sector which produces *part* of what is consumed on the internal market but is still in a dependent relationship for the other part of national consumption. The essential difference between the semiperipheral country that is Brazil or South Africa today and the semiperipheral country that is North Korea or Czechoslovakia is probably less in the economic role each plays in the world-economy than in the political role each plays in conflicts among core countries and the direction of their exported surplus value.

We must start with the clear realization that not all peripheral countries at any given time are in an equal position to lay claim to a shift in status. As Reginald Green somewhat depressingly puts it: 'The attainment of a dynamic toward national control over and development of the economy must start from the existing structural and institutional position, both territorial and international' (1970, p. 277). We know, by looking backward in history, that among peripheral countries some have changed status and others have not. The Santiago meeting of UNCTAD in 1972 underlined among other things the differing *interests* of different Third World countries in various proposals. The United Nations has developed a list of 'hard core' poor nations, of which sixteen are in Africa (about half of all African states), eight in Asia and Oceania, and only one (Haiti) in Latin America. It is not clear that politico-economic decisions on the reallocation of world resources, such as those that have been favored by the Group of 77, would in fact do very much to alter the relative status of these 'hard core' countries (see Colson 1972, especially pp. 826-30).

The fact that some make it and some don't is a continuing source of puzzlement for many writers. For example, Cardoso and Faletto, in their discussion of populism in Latin American countries as a mode of profiting from world economic crises, note that these movements have been more successful in some than others. Whereas in some they simply led to an 'intensified oligarchic control of agricultural-exporting groups, usually taking authoritarian-military forms', in others they have led to 'more open polyclass' rule and consequently more industrialization. They explain differing results as the result of different schemes of domination that managed to prevail in each country (Cardoso and

Faletto 1969, p. 80). This seems less an explanation than a restatement of the phenomenon.

Similarly, Green notes the limitations of the 'staple thesis', suggesting it is unable to account for why the 'dynamic external trade sector' with 'spill-over demand' worked in Canada and Scandinavia but elsewhere led to 'fossilization' (1970, p. 280). He suggests that the key issue is how countries 'mobilise and harness the potential resource flows from these enclaves to the creation of national educational, institutional, and productive capacity to create a dynamic for development broader than the original export units' (p. 293). No doubt, but once again this implies some missing element in the equation and assumes all countries can make it.

Is it not rather the case that only a minority of peripheral countries can fit into an expanding world market or conquer part of a contracting one at any given time? And that those who do, of course, manifest their 'success' by this missing 'extra ingredient'. It would seem to be more fruitful to look at the possible alternative strategies in the light of the fact that only a minority can 'make it' within the framework of the world-system as it is than to search for the universal recipe. We may of course, be dismayed by the ethics of such a choice – I am myself⁸ – but that would only lead us to ask about the possibilities of some more radical systemic transformation, not to look for a reformist panacea.

{ Basically there are three strategies: the strategy of seizing the chance, the strategy of promotion by invitation, and the strategy of self-reliance. } They are different, to be sure, but perhaps (unfortunately) less different than their protagonists proclaim.

{ By seizing the chance, we mean simply the fact that at moments of world-market contraction, where typically the price level of primary exports from peripheral countries goes down more rapidly than the price level of technologically advanced industrial exports from core countries, the governments of peripheral states

8. R. H. Tawney calls the approach to self-improvement in a capitalist world by individual achievement via the use of talent the Tadpole Philosophy, 'since the consolation which it offers for social evils consists in the statement that exceptional individuals can succeed in evading them'. And he concludes: 'As though the noblest use of exceptional powers were to scramble to shore, undeterred by the thought of drowning companions!' (1952, p. 109). Developmental ideology is merely the global version of this Tadpole Philosophy.

are faced with balance-of-payments problems, a rise in unemployment, and a reduction of state income. One solution is 'import substitution', which tends to palliate these difficulties. It is a matter of 'seizing the chance' because it involves aggressive state action that takes advantage of the weakened political position of core countries and the weakened economic position of domestic opponents of such policies. It is a classic solution and accounts, for example, for the expansion of industrial activity in Russia and Italy in the late nineteenth century (see, for example, Von Laue 1963) or of Brazil and Mexico (see Furtado 1970, especially pp. 85–9) – or South Africa (see Horowitz 1967, chapter 15) – in the wake or the Great Depression of 1929. A war situation, providing destruction is somewhat limited, and 'reconstruction', aggressively pursued, may provide the same 'chance'. Was this not the case for North Korea in the 1950s? (See Kuark 1963.)

In each of these cases, we are dealing with relatively strong peripheral countries, countries that had some small industrial base already and were able to expand this base at a favorable moment. As Theontonio Dos Santos puts it:

The capacity to react in the face of these [economic] crises depends in large part on the internal composition of the dependent countries. If they possess a very important complementary industrial sector, the latter can profit from the crisis in the following manner: In the course of the crisis, the export sector is weakened, imports diminish and their cost tends to rise because of the financial crisis which devalues national currencies. . . . (The consequence is thus an encouragement of national industry which has a relatively important market, a high sales price, and weak international competition.) if this sector has some unused capacity, it can utilize it immediately, and with a favorable state policy, it can use the small existing foreign exchange to import cheaply machines, for the surplus production in dominant countries causes their prices to go down relatively. (1971, p. 737)

'Seizing the chance' as a strategy has certain built-in problems, for industrial development leads these prospective semiperipheral countries to import both machines and manufactured primary materials from the core countries, essentially substituting new dependence for the old, from which 'no dependent country has yet succeeded in liberating itself' (Dos Santos 1971, p. 745). This problem is far more serious today than in the 1930s, and *a fortiori* than in earlier centuries because of the world level of technology. Merhav has argued that what he calls 'technological dependence' inevitably

leads, on the one hand, to the emergence of a monopolistic structure because the scales of output that must be adopted to introduce modern methods are large relative to the extent of the initial market; and on the other hand, these markets will be only practically expanded through income generated by investment, since a large proportion of the capital goods must be imported. In addition, the monopolistic structure itself will restrict the volume of investment... So that the two effects reinforce each other...⁹

Furthermore, such (national) monopolies are created 'even in industries which in the advanced countries are more nearly competitive in structure...' (Merhav 1969, p. 65). Thus, despite the industrialization 'investment is less than what it could be with the existing resources'.¹⁰

The national political alliance of 'development populism' furthermore is subject to internal contradictions in countries based on private enterprise since it involves a temporary coming together of the industrial bourgeoisie and the urban workers to favor certain kinds of state action, but once these actions are engaged in, the two groups have opposite interests in terms of wage scales. Thus, Marini suggests that holding such a 'developmentalist alliance' together depends on

the possibility of maintaining a tariff policy and a monetary policy that allows, at the expense of the agricultural sector and of the traditional sectors, intertwining at one and the same time the rhythm of industrial inversion and, if not a significant rise in real wages, at least an increase in absolute terms of the number of individuals from the popular sectors who are progressively incorporated into the industrial system. (1969, p. 107)

Marini indicates the great political difficulties for Latin America in keeping up such a policy for long periods of time. But hasn't this been equally true for Eastern European countries in the last twenty years, where all enterprises have been state-run? Was not the crisis that brought Gierak to power in Poland the result of the breakdown of the 'developmentalist alliance' that Gomulka originally symbolized? Had not Gomulka's backtrackings led to severe worker unrest, as concessions to the agricultural sector were being paid for by urban workers in terms of real wages?

9. Merhav 1969, pp. 59-60. The ways in which technological dependence is both economically irrational and self-perpetuating in the capitalist world economy is explained with great clarity by Urs Müller-Plantenburg (1971). However, it is not at all clear from his analysis why the forces he adumbrates (see the summary on p. 77) which force a private entrepreneur in a peripheral country into an irrational technology should not operate equally for a state-run enterprise.

10. Merhav 1969, p. 60. 'What it could be' reminds one of Paul Baran's concept of 'potential economic surplus' (see Baran 1967, ch. 2).

Technological dependence plus internal political pressures from the agricultural sector have a possible solution, as Marini points out. Speaking of the policies of the Brazilian military that came to power after 1964, he says:

Thus, both by their policies of reinforcing their alliance with the large landowners (*el latifundio*) and by their policy of integration to imperialism, the Brazilian bourgeoisie cannot count on a growth of the internal market sufficient to absorb the growing production that results from technological modernization. There remains no alternative but to try to expand outward, and thus they turn necessarily to obtaining a guaranteed external market for their production. The low cost of production which the present wage policy and industrial modernization tend to create points in the same direction: export of manufactured products. (1969, pp. 85-6)

This same analysis, virtually unchanged, could be used to explain the 'outward' policy' of the present South African government and their attempts to achieve a common market in southern Africa.¹¹ At a smaller scale, is this not what has been involved in the abortive attempts of President Mobutu of Zaïre to build new structures of economic cooperation in Equatorial Africa?

The image thus far projected is of an attempt by an indigenous 'developmentalist' sector in a peripheral country to 'seize its chance' and strengthen its 'industrial sector', thus becoming a 'semiperipheral' country. Then, we have suggested, over time the combination of internal pressure (the 'agricultural sector') and external *force majeure* ('technological dependence') leads to the recuperation of the rebel and the stabilization of the new economic structures such that the development of an 'internal market' originally projected is abandoned¹² and an 'external market' is substituted, but one in which the semiperipheral country largely serves as a purveyor of products it is no longer worth the while of the core country to manufacture.

But have we not got beyond the 'recuperated rebel' scenario?

11: This has been the clear hope of the South African leadership. See Lombard *et al.* 1968.

12. See André Gunder Frank: 'But this import substitute development *did not* create its own market, or at least its own internal market. This development if anything created a post-war internal market for externally-produced and imported producer goods, and foreign investment... rather than raising internal wages... Instead, to pay for the imports of producers goods required to sustain industrial production, as well as to sustain the latter's profitability, this dependent capitalism again resorted - perforce - to the increasing super-exploitation of labor, both in the export and the domestic sectors, as in Brazil and Mexico (and India?)' (1972b, p. 41).

We may have, as the increasingly sophisticated techniques of the burgeoning multinational corporations seem to enable the world-system to arrive at the same result by means of what I am calling 'semiperipheral development by invitation'.

The whole system of direct investment across frontiers grew up in part because of the flowering of infant industry protectionism and in part because of some political limitations to growth of enterprises in core countries (such as anti-trust legislation). The multinational corporations quickly realized that operating in collaboration with state bureaucracies posed no real problems. For these national governments are for the most part weak both in terms of what they have to offer and in their ability to affect the overall financial position of the outside investor. As Hymer points out, governments of underdeveloped nations are roughly in the relationship to a multinational corporation that a state or municipal government in the United States stands to a national corporation. While the government of the metropolis can, by taxation, 'capture some of the surplus generated by the multinational corporation', the competition among peripheral countries 'to attract corporate investment eats up their surplus' (Hymer 1972, p. 128).

Why then do the underdeveloped countries compete for this investment? Because, as the examples of the Ivory Coast and Kenya demonstrate, there are distinct advantages in winning this competition even at the disadvantageous terms such aided development is offered. For example, Samir Amin who has been one of the most vocal critics of the Ivory Coast path of development points out:

Up to now [1971] every one has gotten something out of the Ivory Coast's prosperity via foreign capitalist enterprise: in the countryside, the traditional chiefs, transformed into planters, have become richer, as have the immigrant workers from [Upper Volta] who come out of a traditional, stagnant, very poor milieu; in the town, unemployment remains limited in comparison with what it is already in the large urban centres of older African countries.

(1971b, p. 92)

No doubt, as Amin says, the Ivory Coast has gone from being 'the primitive country that it was in 1950' to being a 'veritable under developed country, well integrated, as its elder sister, Senegal, into the world capitalist system' (1971b, p. 93). No doubt,

too, as Amin suggests, only Nkrumah's pan-African proposals 'would have made it possible to begin to resolve the true problem of development' (p. 280). But Nkrumah did not survive as we know. The effective choice of the Ivory Coast bourgeoisie may not, therefore, have been between the Ivory Coast path and that recommended by Nkrumah and Amin, but between the Ivory Coast path and that of Dahomey. Given such a choice, there seems little need to explain further why they chose as they did (see my discussion in Wallerstein 1971, pp. 19-33).

The path of promotion by invitation seems to have two differences with the path of 'seizing the chance'. First, intimate collaboration (economic and political) with external capitalists, it is more a phenomenon of moments of expansion than of moments of contraction. Indeed, such collaborative 'development' is readily sacrificed by core countries when they experience any economic difficulties themselves. Second, it is available to countries with less prior industrial development than the first path but then it peaks at a far lower level of import-

heavier industries known in Brazil or South Africa.

One might make the same analysis for Kenya, except that the neighbor of Kenya is Tanzania, and thus for Tanzania the path of *ujamaa* has survived and is indeed the prime example of the third road of development for a peripheral country, that of 'self-reliance'. Tanzania has been determined *not* to be a 'complicit victim', in Sfia's trenchant phrase (see Sfia 1971, p. 580).

A sympathetic analysis of Tanzania's attempts by Green (1970) starts with the assumption that 'in Africa the closed-national strategy of structural change for development will be even harder to implement than in Latin America' and that 'economic decolonization and development will be agonizingly slow even with efficient policy formulation and execution and the best likely external economic developments' (pp. 284-5). Green terminates with the cautious conclusion that: 'The Tanzania experience to date [1969] is that even in the short term a clearly enunciated and carefully pursued strategy of development including economic independence as a goal can be consistent with an accelerating rate of economic as well as social and political development' (p. 324). Let us accept that Tanzania has done modestly well. We

may applaud, but may we generalize the advice? One thing to consider is whether Tanzania's path has not been possible for the same reason as Kenya's and the Ivory Coast's, that it is a path being pursued not by all peripheral countries, but by very few. In this case, both Tanzania's poverty and her rarity among Africa's regimes stand her in good stead of thus far minimizing the external pressure brought to bear against her economic policies. Core capitalist countries calculate risks for Tanzania as well as Kenya. Tanzania's model of self-reliance would seem more convincing if Zambia were successfully to adopt it.

It is from eastern Europe that we get, interestingly enough, a caution to small countries on the limits of the path of self-reliance. The Hungarian economist, Béla Kádár, sums up his prudence thus:

The necessity to comply increasingly with world economy as well as the development of international cooperation implies further restrictions in decisions on nationalization. It is an apparent contradiction, and yet in order to ensure national development sacrifices will have to be made by submitting to a greater degree of dependence. This is the price of profits and it is not at all certain that it is bought too costly. Many examples could be quoted showing that excessive striving after autarchy and extreme protectionism lead to increased external economic dependence and to the curtailment of sovereignty.

(1972, p. 21)

One of the most pessimistic elements in the analysis of the difficulties of peripheral countries to transform their states is to be found in Quijano's hypothesis of the 'marginalization' of the masses. It has become a commonplace of the literature on peripheral countries that, since the Second World War at least, there has been a steady influx into the towns, in part the result of growing population density in rural areas without corresponding growing need for manpower, in part the secondary effect of the spread of education and facility of movement which makes such moves seem attractive. It is further commonly agreed that this urban influx is too large to be absorbed in the wage employment and is thus 'unemployed'.

Quijano argues that this process is not reversible within the system because this growing urban manpower,

with respect to the employment needs of the hegemonic sectors [of the peripheral economic structures] that are monopolistically organized, is *surplus*; and with respect to intermediate sectors organized in a competitive mode and consequently characterized by the permanent instability of these very fragile

enterprises with very peripheral occupations, this manpower is *floating*, for it must be intermittently employed, unemployed or underemployed depending on the contingencies that affect the economic sector. (1971, p. 335)

Quijano is pointing essentially to the same phenomenon of which Marx spoke when he referred to 'pauperization'. Marx was historically wrong about western Europe but that was in large part because he underestimated the politico-economic consequences of the unicity of the world-economy.

The point of marginalization as Amin notes is that in peripheral countries wages are not 'both cost and revenue that creates demand... but on the contrary only cost, demand being found elsewhere: externally or in the revenue of the privileged social sectors' (1972a, p. 711). The conclusion we can draw from such a hypothesis is that at the national peripheral level the problem is relatively insoluble. At best, marginalization can be minimized (as in the Ivory Coast, at the expense of Upper Volta, among others). But it also points to one of the long-run contradictions of the system as it presently exists: for one day, the 'demand' of these marginalized workers will in fact be needed to maintain the profit rates. And when that comes, we will be faced, in a way that we are not now, with the question of the transition to socialism.¹³

Let us look, far more briefly, because less relevant to Africa, to the mode by which semiperipheral countries have historically made it into the core. Which are such countries? England rose from the semiperipheral status it still had at the beginning of Elizabeth's reign to membership in the core by the time of the seventeenth-century recession. The United States and Germany followed a similar path in the nineteenth century. The USSR is on the same path today. But many other lesser countries have worked their way forward, if to less spectacular heights: Belgium, Sweden,

13. Perhaps to keep his spirits up, Samir Amin seems to suggest in his postface to *L'Accumulation à l'échelle mondiale* (1971a) that we are in the transition now. Yes, to be sure, if we use the word loosely. But no, if it implies in any sense a short run. In any case, he is absolutely right when he says: 'For if there is a problem, it is a problem of *transition* and not of *perspective*' (p. 597). But then he goes on: 'The essential point is never to lose from view the necessity of reinforcing the socialist cohesion of the whole of the nation.' I fear, as he does at other points, the easy slide of such a concept into ideological justification of a stratum in power. I would say the essential problem is never to lose from view the necessity of reinforcing the cohesion, such as it is, of socialist political forces throughout the world-economy.

and much more doubtfully in terms of the economic structure, Canada. If I add Canada, it becomes clear that fairly 'developed' countries may to some extent still be subordinate to other countries in the hierarchy of the world-economy. Still it would be hard to convince anyone in either Canada or, say, Sierra Leone that there were not many significant differences in the way each relates to the world-economy, the consequent social and political structure within each country, and the perspectives of the immediate future.

To gauge the degree to which semiperipheral countries are able today to utilize the classic mechanisms of advancement in the world economy, we should review both how this classic mechanism worked and the role that wage differentials have played in the structuring of the world-economy. What in a national society determines the general wage level that so manifestly varies from country to country, and in particular seems always to be relatively high in core countries and relatively low in peripheral countries? Obviously, a given employer wishes to pay the least he can for the services he purchases, given the labor market, and the employee wishes to get as high a wage as he can. From the viewpoint of larger social forces, however, as mediated through the state, wage levels affect both sale of products externally (a motive pressing for lower wages) and sale of products internally (a motive pressing for higher wages). Furthermore, the collective organization of workers leads both to legislation and convention assuring at given times given minima, with the expectations socialized into the psyches of the members of the society. Thus, as Arghiri Emmanuel argues, 'Regardless of market conditions, there are wage levels that are impossible, because unthinkable, in a particular country, at a particular period, for a particular racial or ethnic group of wage earners' (1972, p. 119).

Emmanuel argues the case that it is precisely the relative rigidity of national wage levels combined with the tendency to equivalence in international profit margins that accounts for unequal exchange within the world-economy. Nonetheless, it is precisely this same rigidity which has made possible historically the shift of semiperipheral countries, which, in fact, have *medium* wage levels, to the status of core countries.

The problem of breakthrough for a semiperipheral country is

that it must have a market available large enough to justify an advanced technology, for which it must produce at a lower cost than existing producers. Obviously, there are a number of elements involved in this which are interrelated in a complex way.

One way to enlarge a market for national products is to control access of other producers to the one market a given state politically controls, its own: hence, prohibitions, quotas, tariffs. A second is to expand the political boundaries thus affected via unification with neighbors or conquest. Or, conversely, instead of increasing the costs of imported goods, a state seeks to lower the costs of production, thus affecting simultaneously the home market and external markets. Subsidies for production in whatever form are a mode of reallocation of national costs, such that the effective price of other goods is raised relative to the item subsidized. Reducing costs of production by reducing wage levels is a two-edged sword since it increases external sales at the risk of lowering internal sales, and only makes sense if the balance is positive. A fourth way to increase the market is to increase the internal level of purchasing power which, combined with the natural competitive advantages of low or zero transportation costs, should result in increased internal sales. If this is done by raising wage levels, this is the converse two-edged sword of the previous one, increasing internal sales at the risk of lowering external sales. Finally, the state or other social forces can affect the 'tastes', primarily of internal consumers, by ideology or propaganda, and thus expand the market for its products.

Obviously, in addition, it is critical not merely to have optimal cost levels, but to have a certain *absolute* size of the market. Furthermore, the steady advance of technology involving machinery with larger and larger components of fixed capital constantly raises the threshold. Thus, the possibility of a state passing from semiperipheral to core status has always been a matter of juggling elements that move in varied directions to achieve a nearly perfect mix.

For example, the mix that England achieved in the 'long' sixteenth century involved a combination of a *rural* textile industry (thus free from the high guild-protection wage costs of traditional centres of textile production such as Flanders, southern Germany, and northern Italy), with a process of agricultural improvement

of arable land in medium-sized units (thus simultaneously providing a yeoman class of purchasers with an evicted class of vagrants and migrants who provided much of the labor for the textile industry), plus a deliberate decision to push for the new market of *low-cost* textiles (the 'new draperies') to be sold to the new middle stratum of artisans, less wealthy burghers, and richer peasants who had flourished in the expanding cycle of the European world-economy (see Wallerstein 1974a for this argument in detail). Germany, too, in the nineteenth century operated on the advantages of a medium wage level, based on the historic legacy of a declining artisan class to create a sufficiently large internal market, yet with a cost of production sufficient to compete with Britain especially in areas to the east and south, where it had transportation advantages. This is not, however, the only mix that can work. There is the 'white settler' phenomenon where high wage levels precede industrialization and distance from world centers of production (providing the natural protection of high transportation costs for imports). Once again, Emmanuel pushes the point to clarify what is happening. He reminds us that of Britain's five colonies of settlement – the United States, Canada, Australia, New Zealand, and the Cape – the first four have today the highest per capita incomes in the world whereas South Africa is at the level of Greece or Argentina. Yet it had the same colonists, the same links to Britain.

One factor alone was different, namely, what happened to the indigenous population. Whereas in the other four colonies the total extermination of the natives was undertaken, in South Africa the colonists confined themselves to relegating them to the ghettos of apartheid. The result is that in the first four countries wages have reached very high levels, while in South Africa, despite the selective wages enjoyed by the white workers, the average wage level has remained relatively very low, hardly any higher than that in the underdeveloped countries, and below that of the Balkans, Portugal, and Spain.

(Emmanuel 1972, p. 125)

The high-wage route (that is, high in relation to the wages in the leading industrial countries of the world) is not likely to be easily repeated. First, it requires special political conditions (a settler population attracted in the first place by the immediately or potentially *high* standard of living) plus the technological level of a past era, where world distances mattered more and technological dependence (as discussed above) mattered less.

The model of the twentieth century has been the USSR. But what exactly is this model? First of all, let us not forget that the Soviet Union built its structure on a semiperipheral country to be sure – Russia – but one that was nonetheless the fifth industrial producer in the world (in absolute terms) in 1913. It was not a state in which the process of marginalization had gone very far at all.¹⁴ The state entered into the picture to keep industrial wage levels at a medium level¹⁵ and rural wage levels such that there was an extensive urban labor reserve.¹⁶ Last but not least, the USSR was a very large country, which made possible the relatively long period of autarchy which it practiced. And even so, its long stunting of the internal market because of wage levels has forced into the Krushchev–Brezhnev revision of this policy as part of the preparation for future competition in the world market as an exporter of manufactured products. If the USSR with its relatively strong pre-revolutionary industrial base, its firm political control over external trade and internal wages, and its enormous size has, nonetheless, if you will, barely made it into the core of the world-economy, what hope is there for semi-industrialized countries, true semiperipheral ones – as the Brazil, the Chile, or the South Africa of today, to take three politically different examples – to expand their market, and primarily their internal market, sufficiently to transform their role in the world-economy?¹⁷ All that one has said of the economic processes that are worsening the ability of peripheral countries to maneuver in the world-economy point to pessimism here, too, except one consideration which we have not yet discussed: the impact of world contraction on this picture.

14. Amin says it was 'unknown', but I suspect that this is an exaggeration. See Amin 1972a, p. 714.

15. Emmanuel suggests that this is a distinction between a competitive economy and a planned one, although sixteenth-century England and nineteenth-century Germany belie this explanation. In any case, he is right in his concrete description of what happened in the USSR: 'The state being the dictator of specializations of prices, there is no need for high wages to appropriate an increased share of the world economic product. On the contrary, since the share is given by the real potential of production, the state is all the better able to increase accumulation if wages, and consumption generally, are kept down at very low levels' (1972, p. 130).

16. As Amin says, 'the *kolkhoz* and administrative oppression fulfilled [the] function [of forcing the masses to be a passive reserve of manpower] that, in the English model, was performed by the enclosure acts and the poor laws' (1972a, p. 715).

17. To *s'autocentrer*, to use Amin's awkward-to-translate word. See the discussion in Amin 1971a, pp. 610ff.

If high wages are so advantageous in terms of unequal exchange, why doesn't everyone raise their wage levels, or at least every state? Obviously, because the advantage is a function also of low absolute competition (quite apart from price level). To be sure, capital will always flow to high profit areas, but it 'flows'. There is always a lag. The way it works, in fact, is that whenever some producer is undercut in the cost of production, there will be a tendency over time to uncover a new specialization requiring a momentarily rare skill, which in the international division of labor at that moment, is free from competition on the part of the low-wage countries' (Emmanuel 1972, p. 145). And this is possible because we socially legitimate the variety of products which are technologically feasible.

This process, however, can most easily operate in moments of economic expansion, when it is easier to create new markets for new products than to fight over old ones. But in moments of contraction, the calculus changes. As has become clear once again in the 1970s, core countries are quite willing to expend considerable energy fighting over old ones.¹⁸

What is the impact of such a fight on the possibilities of semiperipheral countries moving towards core status and peripheral ones moving towards semiperipheral status? I believe that the 'slippage' of core countries offers, still today, opportunities for the semiperiphery but makes the outlook even more bleak for the periphery.

At moments of world-economic downturns, the weakest segment of the world-economy in terms of bargaining power tends to be squeezed first. The relative decline in world output reduces the market for the exports of the peripheral countries, and faster than it does the prices of their imports. Peripheral countries may even discover new protectionist barriers against their exports as other countries seek to 'take back' areas of production once thought to be of such low profitability as to be worthy only of peripheral countries. To be sure, a few peripheral countries who

18. Actually, the in-fighting began earlier. 'When the U.S. balance of payments was strong, its reserves apparently unlimited, and its dollar untouched by any hint of possible devaluation, the government could face the massive outflow of capital by U.S. companies with equanimity. In today's conditions, this is no longer possible. Under President Johnson, the government was forced to introduce a number of measures to stem the tide of U.S. investment overseas' (Tugendhat 1971, p. 43).

have the relatively strongest technological base may use the impetus of the crisis to push forward with import substitution. But the bulk of the periphery simply 'stagnates'.

What happens in the semiperiphery is rather different. In an expanding world-economy, semiperipheral countries are beggars, seeking the 'aid' of core countries to obtain a part of the world market against other semiperipheral countries. Thus, becoming the agent of a core country, the subimperial role, is if not a necessary condition of further economic gain at least the facile road to it. It is no accident, thus, that ideologically semiperipheral countries are often the loudest exponents of particular *weltanschauungen* and the strongest denouncers of evil practices – of other semiperipheral countries.

As long, therefore, as expansion continues, the mode of economic prosperity for producing groups in semiperipheral areas is via the reinforcement of dependency patterns *vis-à-vis* core countries. However, (when world contraction comes, the squeeze is felt by core countries who proceed to fight each other, each fearing 'slippage'.) Now the semiperipheral countries may be courted, as the outlets for core products become relatively rarer. (The bargaining relationship of a core and semiperipheral country changes) in exactly the way the bargaining relationship between seignior and serf changed in moments of economic contraction in the Middle Ages, (in favor of the lower stratum, enabling the latter to get some structural and even institutional changes as part of the new exchange.)

There is much talk of the new multipolar world of the 1970s. Let us take one such analysis and see its implications for our problem. Anouar Abdel-Malek predicts a period of tripolar peaceful coexistence, in which there will be an attempt to maintain equilibrium between three sectors: Europe, around the USSR; Asia, around China; America, around the USA, the latter spreading out in triangular form to include Oceania and sub-Saharan Africa. Without debating whether this particular geography is accurate, it is difficult to disagree with Abdel-Malek's conclusion:

The world enters at an accelerated pace into an *era of great mobility* where, paradoxically, the growth of the power potential held by the principal states will permit a dialectic of neutralization-improvement of position (*valorization*) far more subtle than at present, wherein careful intelligence on the part of

national and revolutionary movements in the dependent sector of the world will enable them to take advantage of, in the sense of bringing into being, optimal international alliances, those most likely to bear the enormous autochthonous effort of liberation and of revolution. (1971, pp. 63-4)

But will not the economic difficulties lead to increased strife among the core countries? Curiously, as we so clearly see, it does not. It leads them to limit their strife in order to face, each in its turn, the harder bargaining it must do with its dependent semiperipheral clients. Conversely, we may see new movements towards alliances between semiperipheral countries, which will take the political form of changes in regimes to place themselves in a position to make such alliances. Can not the Allende regime in Chile be seen as one such effort? And can not the deteriorating relationship of the USSR with the 'revolutionary forces', particularly in semiperipheral regimes, be seen as the simple consequence of the promotion of the USSR from semiperiphery to core and hence a change in its interests within the framework of a capitalist world-economy?

Who in Africa could at the present time take advantage of such a thrust forward by semiperipheral countries? Not many. South Africa, were the rest of Africa ready to serve as its market. But a segregated South Africa will find political resistance where a Black South Africa would not. And so the African continent may well have to sit this cycle out in terms of the advantages outlined above for semiperipheral countries.

But if over the next twenty years, a number of semiperipheral states, using the mechanism of state ownership (wholly or in large part) combined with a transnational, ideologically justified alliance, do in fact manage to make some clear gains, how will that change the world-economy? These gains may well be at the expense of some core countries, but also at the expense of peripheral ones. Is this more than a circulation of power?

No, if we look at the national and world economics of it. But yes, if we look at its political implications. Establishing a system of state ownership within a capitalist world-economy does not mean establishing a socialist economy. It may not mean improving the economic well-being of the majority of the population. It is merely a variant of classic mercantilism. But it does change the world political scene because it clarifies the role of monopolistic

limitation via the state in the unequal exchange of world capitalism, and thereby in the long run affects the political mobilization of those forces who are discontented with the 'limited possibilities of transformation' within the present system.

If one justifies political changes not because there are clear economic benefits to the world-economy as a whole but because they unveil more clearly the contradictions of the present system, the impossibility of maximizing rationally the social good within it, then we must be sure that we do not, by the process of justifying the present changes, in fact create new ideological screens.

But we have been creating these ideological screens for fifty years. By identifying state ownership with socialism, we have contributed to a massive confusion that has had nefarious political consequences. State-ownership countries have, in fact, lower standards of living than those countries that have predominantly private enterprises; and, in addition, social inequality in these so-called socialist countries is still manifestly enormous. This is not because they have state-owned enterprises but because they have been up to now largely semiperipheral countries in a capitalist world economy.

For twenty-five years liberal reformists have advocated international aid as a major means of overcoming the economic dilemmas of underdeveloped nations. We have seen how little it has helped. Are we not in danger of falling into the same trap if, using new terms, we create an analogous left-wing myth that self-reliance will overcome, in any immediate sense, the dependence of peripheral countries?

State ownership is not socialism. Self-reliance is not socialism. These policies may represent intelligent political decisions for governments to take. They may be decisions that socialist movements should endorse. But a socialist government when it comes will not look anything like the USSR, or China, or Chile, or Tanzania of today. Production for use and not for profit, and rational decision on the cost benefits (in the widest sense of the term) of alternative uses is a different mode of production, one that can only be established within the single division of labor that is the world-economy and one that will require a single government.

In the meantime, to return to Africa, what sensible men can do is to use the subtleties of careful intelligence, as Abdel-Malek suggests, to push those changes that are immediately beneficial and to coordinate with others elsewhere the long-run strategies that will permit more fundamental transformation. One step towards more careful intelligence is to call a spade a spade, mercantilism mercantilism, and state-owned capitalist enterprise state-owned capitalist enterprise.

Addendum

I now believe that the formulations in this essay are incomplete and can lead to some confusion. In particular, I do not clarify the distinctions between semiperipheral states that have socialist governments and those that do not. In a subsequent essay (ch. 5 below), I do discuss this question quite specifically.

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5 ♣ Semiperipheral countries and the contemporary world crisis

If the philosophy of praxis affirms theoretically that every 'truth' believed to be eternal and absolute has had practical origins and has represented a 'practical' value . . . , it is still very difficult to make the people grasp 'practically' praxis itself, without in so doing shaking the convictions that are necessary for action . . . This is the reason why the proposition [in Marx] about the passage from the reign of necessity to that of freedom must be analyzed and elaborated with subtlety and delicacy.

Antonio Gramsci¹

We find ourselves at the beginning of one of those periodic downturns, or contractions, or crises that the capitalist world-economy has known with regularity since its origins in Europe in the sixteenth century. The present moment of the history of the world-economy is marked by a number of striking phenomena:

(1) The heyday of us world hegemony is over. This means that at no level – economic production and productivity, political cohesiveness and influence, cultural self-assurance and productivity, political cohesiveness and influence, cultural self-assurance, military strength – will the us ever again match its unquestioned primacy of the period 1945-67.

However, the decline from a peak is scarcely precipitous: the us is still today the most powerful state in the world and will remain so for some time. The us still incarnates the political interests of the world's capitalist forces. Nonetheless, it is weaker than it once was and is going to become still weaker.

(2) The unity of what was a bloc of socialist nations is more or less

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1. Antonio Gramsci, 'Problems of Marxism', in Quinton Hoare and Geoffrey Nowell Smith (eds.), *Selections from the Prison Notebooks* (New York: International Publications 1971), p. 406. The proposition in Marx to which Gramsci is referring is found in the 'Introduction' to the *Critique of Hegel's Philosophy of Right*.