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The capitalist world-economy

Essays by
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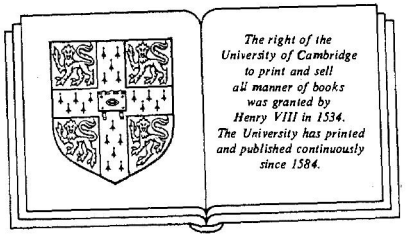

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Some reflections on history, the social sciences, and politics

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-

16 Originally prepared for a volume of essays on Fanon to be edited by Emmanuel Hansen and Adele Jinadu

17 Originally prepared for seminar on the 'Nuevo Orden Internacional' sponsored by the Centro de Estudios de Desarrollo (CENDES) of the Universidad Central de Venezuela, 17–21 October 1977

Part I

The inequalities of core and periphery

1 The rise and future demise of the world capitalist system: concepts for comparative analysis

The growth within the capitalist world-economy of the industrial sector of production, the so-called 'industrial revolution', was accompanied by a very strong current of thought which defined this change as both a process of organic development and of progress. There were those who considered these economic developments and the concomitant changes in social organization to be some penultimate stage of world development whose final working out was but a matter of time. These included such diverse thinkers as Saint-Simon, Comte, Hegel, Weber, Durkheim. And then there were the critics, most notably Marx, who argued, if you will, that the nineteenth-century present was only an antepenultimate stage of development, that the capitalist world was to know a cataclysmic political revolution which would then lead in the fullness of time to a final societal form, in this case the classless society.

One of the great strengths of Marxism was that, being an oppositional and hence critical doctrine, it called attention not merely to the contradictions of the system but to those of its ideologists, by appealing to the empirical evidence of historical reality which unmasked the irrelevancy of the models proposed for the explanation of the social world. The Marxist critics saw in abstracted models concrete rationalization, and they argued their case fundamentally by pointing to the failure of their

opponents to analyze the social whole. As Lukacs put it, 'it is not the primacy of economic motives in historical explanation that constitutes the decisive difference between Marxism and bourgeois thought, but the point of view of totality'.[1]

In the mid twentieth century, the dominant theory of development in the core countries of the capitalist world-economy has added little to the theorizing of the nineteenth-century progenitors of this mode of analysis, except to quantify the models and to abstract them still further, by adding on epicyclical codas to the models in order to account for ever further deviations from empirical expectations.

What is wrong with such models has been shown many times over, and from many standpoints. I cite only one critic, a non-Marxist, Robert Nisbet, whose very cogent reflections on what he calls the 'Western theory of development' concludes with this summary:

> [We] turn to history and only to history if what we are seeking are the actual causes, sources, and conditions of overt changes of patterns and structures in society. Conventional wisdom to the contrary in modern social theory, we shall not find the explanation of change in those studies which are abstracted from history; whether these be studies of small groups in the social laboratory, group dynamics generally, staged experiments in social interaction, or mathematical analyses of so-called social systems. Nor will we find the sources of change in contemporary revivals of the comparative method with its ascending staircase of cultural similarities and differences plucked from all space and time.[2]

Shall we then turn to the critical schools, in particular Marxism, to give us a better account of social reality? In principle yes; in practice there are many different, often contradictory, versions extant of 'Marxism'. But what is more fundamental is the fact that in many countries Marxism is now the official state doctrine. Marxism is no longer exclusively an oppositional doctrine as it was in the nineteenth century.

The social fate of official doctrines is that they suffer a constant social pressure towards dogmatism and apologia, difficult although by no means impossible to counteract, and that they thereby often fall into the same intellectual dead end of ahistorical model building. Here the critique of Fernand Braudel is most pertinent:

1. George Lukacs, 'The Marxism of Rosa Luxemburg', in *History and Class Consciousness* (London: Merlin Press, 1968), p. 27.
2. Robert A. Nisbet, *Social Change and History* (New York: Oxford University Press, 1969), pp. 302–3. I myself would exempt from this criticism the economic history literature.

> Marxism is a whole collection of models... I shall protest..., more or less, not against the model, but rather against the use to which people have thought themselves entitled to put it. The genius of Marx, the secret of his enduring power, lies in his having been the first to construct true social models, starting out from the long term (*la longue durée*). These models have been fixed permanently in their simplicity; they have been given the force of law and they have been treated as ready-made, automatic explanations, applicable in all places to all societies... In this way has the creative power of the most powerful social analysis of the last century been shackled. It will be able to regain its strength and vitality only in the long term.[3]

Nothing illustrates the distortions of ahistorical models of social change better than the dilemmas to which the concept of stages gives rise. If we are to deal with social transformations over long historical time (Braudel's 'the long term'), and if we are to give an explanation of both continuity and transformation, then we must logically divide the long term into segments in order to observe the structural changes from time A to time B. These segments are however not discrete but continuous in reality; *ergo* they are 'stages' in the 'development' of a social structure, a development which we determine however not *a priori* but *a posteriori*. That is, we cannot predict the future concretely, but we can predict the past.

The crucial issue when comparing 'stages' is to determine the units of which the 'stages' are synchronic portraits (or 'ideal types', if you will). And the fundamental error of ahistorical social science (including ahistorical versions of Marxism) is to reify parts of the totality into such units and then to compare these reified structures.

For example, we may take modes of disposition of agricultural production, and term them subsistence cropping and cash cropping. We may then see these as entities which are 'stages' of a development. We may talk about decisions of groups of peasants to shift from one to the other. We may describe other partial entities, such as states, as having within them two separate 'economies', each based on a different mode of disposition of agricultural production. If we take each of these successive steps, all of which are false steps, we will end up with the misleading concept of the 'dual economy' as have many liberal economists dealing with the so-called underdeveloped countries of the world.

3. Fernand Braudel, 'History and the Social Sciences', in Peter Burke (ed.), *Economy and Society in Early Modern Europe* (London: Routledge and Kegan Paul, 1972), pp. 38–9.

Still worse, we may reify a misreading of British history into a set of universal 'stages' as Rostow does.

Marxist scholars have often fallen into exactly the same trap. If we take modes of payment of agricultural labor and contrast a 'feudal' mode wherein the laborer is permitted to retain for subsistence a part of his agricultural production with a 'capitalist' mode wherein the same laborer turns over the totality of his production to the landowner, receiving part of it back in the form of wages, we may then see these two modes as 'stages' of a development. We may talk of the interests of 'feudal' landowners in preventing the conversion of their mode of payment to a system of wages. We may then explain the fact that in the twentieth century a partial entity, say a state in Latin America, has not yet industrialized as the consequence of its being dominated by such landlords. if we take each of these successive steps, all of which are false steps, we will end up with the misleading concept of a 'state dominated by feudal elements', as though such a thing could possibly exist in a capitalist world-economy. But, as André Gunder Frank has clearly spelled out, such a myth dominated for a long time 'traditional Marxist' thought in Latin America.[4]

Not only does the misidentification of the entities to be compared lead us into false concepts, but it creates a non-problem: can stages be skipped? This question is only logically meaningful if we have 'stages' that 'coexist' within a single empirical framework. If within a capitalist world-economy, we define one state as feudal, a second as capitalist, and a third as socialist, then and only then can we pose the question: can a country 'skip' from the feudal stage to the socialist stage of national development without 'passing through capitalism'?

But if there is no such thing as 'national development' (if by that we mean a natural history), and if the proper entity of comparison is the world system, then the problem of stage skipping is nonsense. If a stage can be skipped, it isn't a stage. And we know this *a posteriori*.

If we are to talk of stages, then – and we should talk of stages – it must be stages of social systems, that is, of totalities. And the only totalities that exist or have historically existed are minisystems

4. See André Gunder Frank, 'The Myth of Feudalism', in *Capitalism and Under-development in Latin America* (New York: Monthly Review Press, 1967), pp. 221–42.

and world-systems, and in the nineteenth and twentieth centuries there has been only one world-system in existence, the capitalist world-economy.

We take the defining characteristic of a social system to be the existence within it of a division of labor, such that the various sectors or areas within are dependent upon economic exchange with others for the smooth and continuous provisioning of the needs of the area. Such economic exchange can clearly exist without a common political structure and even more obviously without sharing the same culture.

A minisystem is an entity that has within it a complete division of labor, and a single cultural framework. Such systems are found only in very simple agricultural or hunting and gathering societies. Such minisystems no longer exist in the world. Furthermore, there were fewer in the past than is often asserted, since any such system that became tied to an empire by the payment of tribute as 'protection costs'[5] ceased by that fact to be a 'system', no longer having a self-contained division of labor. For such an area, the payment of tribute marked a shift, in Polanyi's language, from being a reciprocal economy to participating in a larger redistributive economy.[6]

Leaving aside the now defunct minisystems, the only kind of social system is a world-system, which we define quite simply as a unit with a single division of labor and multiple cultural systems. It follows logically that there can, however, be two varieties of such world-systems, one with a common political system and one without. We shall designate these respectively as world-empires and world-economies.

It turns out empirically that world-economies have historically been unstable structures leading either towards disintegration or conquest by one group and hence transformation into a world-empire. Examples of such world-empires emerging from world-economies are all the so-called great civilizations of premodern times, such as China, Egypt, Rome (each at appropriate periods

5. See Frederic Lane's discussion of 'protein costs' which is reprinted in part 3 of *Venice and History* (Baltimore: Johns Hopkins Press, 1966). For the specific discussion of tribute, see pp. 389–90, 416–20.

6. See Karl Polanyi, 'The Economy as Instituted Process', in Karl Polanyi, Conrad M. Arsenberg and Harry W. Pearson (eds.), *Trade and Market in the Early Empire* (Glencoe: Free Press, 1957), pp. 243–70.

of its history). On the other hand, the so-called nineteenth-century empires, such as Great Britain or France, were not world-empires at all, but nation-states with colonial appendages operating within the framework of a world-economy.

World-empires were basically redistributive in economic form. No doubt they bred clusters of merchants who engaged in economic exchange (primarily long distance trade), but such clusters, however large, were a minor part of the total economy and not fundamentally determinative of its fate. Such long-distance trade tended to be, as Polanyi argues, 'administered trade' and not market trade, utilizing 'ports of trade'.

It was only with the emergence of the modern world-economy in sixteenth-century Europe that we saw the full development and economic predominance of market trade. This was the system called capitalism. Capitalism and a world-economy (that is, a single division of labor but multiple polities and cultures) are obverse sides of the same coin. One does not cause the other. We are merely defining the same indivisible phenomenon by different characteristics.

How and why it came about that this particular European world-economy of the sixteenth century did not become transformed into a redistributive world-empire but developed definitively as a capitalist world-economy I have explained elsewhere.[7] The genesis of this world-historical turning point is marginal to the issues under discussion in this paper, which is rather what conceptual apparatus one brings to bear on the analysis of developments within the framework of precisely such a capitalist world-economy.

Let us therefore turn to the capitalist world-economy. We shall seek to deal with two pseudoproblems, created by the trap of not analyzing totalities: the so-called persistence of feudal forms, and the so-called creation of socialist systems. In doing this, we shall offer an alternative model with which to engage in comparative analysis, one rooted in the historically specific totality which is the world capitalist economy. We hope to demonstrate thereby that to be historically specific is not to fail to be analytically universal. On the contrary, the only road to nomothetic propositions is

7. See my *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century* (New York: Academic Press, 1974).

through the historically concrete, just as in cosmology the only road to a theory of the laws governing the universe is through the concrete analysis of the historical evolution of this same universe.[8] On the 'feudalism' debate, we take as a starting point Frank's concept of 'the development of underdevelopment', that is, the view that the economic structures of contemporary underdeveloped countries is not the form which a 'traditional' society takes upon contact with 'developed' societies, not an earlier stage in the 'transition' to industrialization. It is rather the result of being involved in the world-economy as a peripheral, raw material producing area, or as Frank puts it for Chile, 'underdevelopment... is the necessary product of four centuries of capitalism itself'.[9]

This formulation runs counter to a large body of writing concerning the underdeveloped countries that was produced in the period 1950–70, a literature which sought the factors that explained 'development' within non-systems such as 'states' or 'cultures' and, once having presumably discovered these factors, urged their reproduction in underdeveloped areas as the road to salvation.[10]

Frank's theory also runs counter, as we have already noted, to the received orthodox version of Marxism that had long dominated Marxist parties and intellectual circles, for example in Latin America. This older 'Marxist' view of Latin America as a set of feudal societies in a more or less prebourgeois stage of development has fallen before the critiques of Frank and many others as well as before the political reality symbolized by the Cuban revolution and all its many consequences. Recent analysis in Latin America has centered instead around the concept of 'dependence'.[11]

8. Philip Abrams concludes a similar plea with this admonition: 'The academic and intellectual dissociation of history and sociology seems, then, to have had the effect of deterring both disciplines from attending seriously to the most important issues involved in the understanding of social transition'. 'The Sense of the Past and the Origins of Sociology', *Past and Present*, 55 (May 1972), 32.
9. Frank, 'The Myth of Feudalism', p. 3.
10. Frank's critique, now classic, of these theories is entitled 'Sociology of Development and Underdevelopment of Sociology' and is reprinted in *Latin America: Underdevelopment or Revolution* (New York: Monthly Review Press, 1969), pp. 21–94.
11. See Theotonio Dos Santos, *La Nueva Dependencia* (Buenos Aires: s/ediciones, 1968).

However, recently, Ernesto Laclau has made an attack on Frank which, while accepting the critique of dualist doctrines, refuses to accept the categorization of Latin American states as capitalist. Instead Laclau asserts that 'the world capitalist system. . . includes, *at the level of its definition*, various modes of production'. He accuses Frank of confusing the two concepts of the 'capitalist mode of production' and 'participation in a world capitalist economic system'.[12]

Of course, if it's a matter of definition, then there can be no argument. But then the polemic is scarcely useful since it is reduced to a question of semantics. Furthermore, Laclau insists that the definition is not his but that of Marx, which is more debatable. Rosa Luxemburg put her finger on a key element in Marx's ambiguity or inconsistency in this particular debate, the ambiguity which enables both Frank and Laclau to trace their thoughts to Marx:

> Admittedly, Marx dealt in detail with the process of appropriating non-capitalist means of production [NB, Luxemburg is referring to primary products produced in peripheral areas under conditions of coerced labor] as well as with the transformation of the peasants into a capitalist proletariat. Chapter XXIV of *Capital*, Vol. 1, is devoted to describing the origin of the English proletariat, of the capitalistic agricultural tenant class and of industrial capital, with particular emphasis on the looting of colonial countries by European capital. Yet we must bear in mind that all this is treated solely with a view to so-called primitive accumulation. For Marx, these processes are incidental, illustrating merely the genesis of capital, its first appearance in the world; they are, as it were, travails by which the capitalist mode of production emerges from a feudal society. As soon as he comes to analyze the capitalist process of production and circulation, he reaffirms the universal and exclusive domination of capitalist production [NB, that is, production based on wage labor].[13]

There is, after all, a substantive issue in this debate. It is in fact the same substantive issue that underlay the debate between

12. Ernesto Laclau (*h*), 'Feudalism and Capitalism in Latin America', *New Left Review*, 67 (May–June 1971), 37–8.
13. *The Accumulation of Capital* (New York: Monthly Review Press, 1968), pp. 364–5. Luxemburg however, as is evident, lends herself further to the confusion by using the terminology of 'capitalistic' and 'non-capitalistic' modes of production. Leaving these terms aside, her vision is impeccable: 'From the aspect both of realising the surplus value and of producing the material elements of constant capital, international trade is a prime necessity for the historical existence of capitalism – an international trade which under actual conditions is essentially an exchange between capitalistic and non-capitalistic modes of production'. *Ibid.*, p. 359. She shows similar insight into the need of recruiting labor for core areas from the periphery, what she calls 'the increase in the variable capital'. See *ibid.*, p. 361.

Maurice Dobb and Paul Sweezy in the early 1950s about the 'transition from feudalism to capitalism' that occurred in early modern Europe.[14] The substantive issue, in my view, concerns the appropriate unit of analysis for the purpose of comparison. Basically, although neither Sweezy nor Frank is quite explicit on this point, and though Dobb and Laclau can both point to texts of Marx that seem clearly to indicate that they more faithfully follow Marx's argument, I believe both Sweezy and Frank better follow the spirit of Marx if not his letter[15] and that, leaving Marx quite out of the picture, they bring us nearer to an understanding of what actually happened and is happening than do their opponents.

What is the picture, both analytical and historical, that Laclau constructs? The heart of the problem revolves around the existence of free labor as the defining characteristic of a capitalist mode of production:

> The fundamental economic relationship of capitalism is constituted by the *free* [italics mine] labourer's sale of his labour-power, whose necessary precondition is the loss by the direct producer of ownership of the means of production. . .
>
> If we now confront Frank's affirmation that the socio-economic complexes of Latin America has been capitalist since the Conquest Period. . . with the currently available empirical evidence, we must conclude that the 'capitalist' thesis is indefensible. In regions with dense indigenous populations – Mexico, Peru, Bolivia, or Guatemala – the direct producers were not despoiled of their ownership of the means of production, while extra-economic coercion to maximize various systems of labour service. . . was progressively intensified. In the plantations of the West Indies, the economy was based on a mode of production constituted by slave labour, while in the mining areas there developed disguised forms of slavery and other types of forced labour which bore not the slightest resemblance to the formation of a capitalist proletariat.[16]

14. The debate begins with Maurice Dobb, *Studies in the Development of Capitalism* (London: Routledge and Kegan Paul, 1946). Paul Sweezy criticized Dobb in 'The Transition from Feudalism to Capitalism', *Science and Society*, 14: 2 (Spring 1950), 134–57, with a 'Reply' by Dobb in the same issue. From that point on many others got into the debate in various parts of the world. I have reviewed and discussed this debate *in extenso* in ch. 1 of *The Modern World-System*.
15. It would take us into a long discursus to defend the proposition that, like all great thinkers, there was the Marx who was the prisoner of his social location and the Marx, the genius, who could on occasion see from a wider vantage point. The former Marx generalized from British history. The latter Marx is the one who has inspired a critical conceptual framework of social reality. W. W. Rostow incidentally seeks to refute the former Marx by offering an alternative generalization from British history. He ignores the latter and more significant Marx. See *The Stages of Economic Growth: A Non-Communist Manifesto* (Cambridge: University Press, 1960).
16. Laclau, 'Feudalism and Capitalism', pp. 25, 30.

There in a nutshell it is. Western Europe, at least England from the late seventeenth century on, had primarily landless, wage-earning laborers. In Latin America, then and to some extent still now, laborers were not proletarians, but slaves or 'serfs'. If proletariat, then capitalism. Of course. To be sure. But is England, or Mexico, or the West Indies a unit of analysis? Does each have a separate 'mode of production'? Or is the unit (for the sixteenth–eighteenth centuries) the European world-economy, including England *and* Mexico, in which case what was the 'mode of production' of this world-economy?

Before we argue our response to this question, let us turn to quite another debate, one between Mao Tse-Tung and Liu Shao-Chi in the 1960s concerning whether or not the Chinese People's Republic was a 'socialist state'. This is a debate that has a long background in the evolving thought of Marxist parties.

Marx, as has been often noted, said virtually nothing about the post-revolutionary political process. Engels spoke quite late in his writings of the 'dictatorship of the proletariat'. It was left to Lenin to elaborate a theory about such a 'dictatorship', in his pamphlet *State and Revolution*, published in the last stages before the Bolshevik takeover of Russia, that is, in August 1917. The coming to power of the Bolsheviks led to a considerable debate as to the nature of the regime that had been established. Eventually a theoretical distinction emerged in Soviet thought between 'socialism' and 'communism' as two stages in historical development, one realizable in the present and one only in the future. In 1936 Stalin proclaimed that the USSR had become a socialist (but not yet a communist) state. Thus we now had firmly established *three* stages after bourgeois rule: a post-revolutionary government, a socialist state, and eventually communism. When, after the Second World War, various regimes dominates by the Communist Party were established in various east European states, these regimes were proclaimed to be 'peoples' democracies', a new name then given to the post-revolutionary stage one. At later points, some of these countries, for example Czechoslovakia, asserted they had passed into stage two, that of becoming a socialist republic.

In 1961, the 22nd Congress of the CPSU invented a fourth stage, in between the former second and third stages: that of a socialist

state which had become a 'state of the whole people', a stage it was contended the USSR had at that point reached. The Programme of the Congress asserted that 'the state as an organization of the entire people will survive until the complete victory of communism'.[17] One of its commentators defines the 'intrinsic substance (and) chief distinctive feature' of this stage: 'The state of the whole people is the first state in the world with no class struggle to contend with and, hence, with no class domination and no suppression.'[18]

One of the earliest signs of a major disagreement in the 1950s between the Communist Party of the Soviet Union and the Chinese Communist Party was a theoretical debate that revolved around the question of the 'gradual transition to Communism'. Basically, the CPSU argued that different socialist states would proceed separately in effectuating such a transition whereas the CCP argued that all socialist states would proceed simultaneously.

As we can see, this last form of the debate about 'stages' implicitly raised the issue of the unit of analysis, for in effect the CCP was arguing that 'communism' was a characteristic not of nation-states but of the world-economy as a whole. This debate was transposed onto the internal Chinese scene by the ideological debate, now known to have deep and long-standing roots, that gave rise eventually to the Cultural Revolution.

One of the corollaries of these debates about 'stages' was whether or not the class struggle continued in post-revolutionary states prior to the achievement of communism. The 22nd Congress of the CPSU in 1961 had argued that the USSR had become a state without an internal class struggle, there were no longer existing antagonistic classes within it. Without speaking of the USSR, Mao Tse-Tung in 1957 had asserted in China:

> The class struggle is by no means over . . . It will continue to be long and tortuous, and at times will even become very acute . . . Marxists are still a minority among the entire population as well as among the intellectuals. Therefore, Marxism must still develop through struggle . . . Such struggles will never end. This is the law of development of truth and, naturally, of Marxism as well.[19]

17. Cited in F. Burlatsky, *The State and Communism* (Moscow: Progress Publishers, n.d. [1961]), p. 95.
18. *Ibid.*, p. 97.
19. Mao Tse-Tung, *On The Correct Handling of Contradictions Among The People*, 7th edn, revised translation (Peking: Foreign Languages Press, 1966), pp. 37–8.

If such struggles *never* end, then many of the facile generalizations about 'stages' which 'socialist' states are presumed to go through are thrown into question.

During the Cultural Revolution, it was asserted that Mao's report *On the Correct Handling of Contradiction Among the People* cited above, as well as one other, 'entirely repudiated the "theory of the dying out of the class struggle" advocated by Liu Shao-Chi . . .'[20] Specifically, Mao argued that 'the elimination of the system of ownership by the exploiting classes through socialist transformation is not equal to the disappearance of struggle in the political and ideological spheres'.[21]

Indeed, this is the logic of a *cultural* revolution. Mao is asserting that even if there is the achievement of *political* power (dictatorship of the proletariat) and *economic* transformation (abolition of private ownership of the means of production), the revolution is still far from complete. Revolution is not an event but a process. This process Mao calls 'socialist society' – in my view a somewhat confusing choice of words, but no matter – and 'socialist society covers a fairly long historical period'.[22] Furthermore, 'there are classes and class struggle throughout the period of socialist society'.[23] The Tenth Plenum of the 8th Central Committee of the CCP, meeting from 24 to 27 September 1962, in endorsing Mao's views, omitted the phrase 'socialist society' and talked instead of 'the historical period of proletarian revolution and proletarian dictatorship, . . . the historical period of transition from capitalism to communism', which it said 'will last scores of years or even longer' and during which 'there is a class struggle between the proletariat and the bourgeosie and struggle between the socialist road and the capitalist road'.[24]

20. *Long Live The Invincible Thought of Mao Tse-Tung!*, undated pamphlet, issued between 1967 and 1969, translated in *Current Background*, 884 (18 July 1969), 14.
21. This is the position taken by Mao Tse-Tung in his speech to the Work Conference of the Central Committee at Peitaiho in August 1962, as reported in the pamphlet, *Long Live . . .*, p. 20. Mao's position was subsequently endorsed at the 10th Plenum of the 8th CCP Central Committee in September 1962, a session this same pamphlet describes as 'a great turning point in the violent struggle between the proletarian headquarters and the bourgeois headquarters in China'. *Ibid.*, p. 21.
22. Remarks made by Mao at 10th Plenum, cited in *ibid.*, p. 20.
23. Mao Tse-Tung, 'Talk on the Question of Democratic Centralism', 30 January 1962, in *Current Background*, 891 (8 October 1969), 39.
24. 'Communiqué of the 10th Plenary Session of the 8th Central Committee of the Chinese Communist Party', *Current Background*, 691 (5 October 1962), 3.

We do not have directly Liu's counter arguments. We might however take as an expression of the alternative position a recent analysis published in the USSR on the relationship of the socialist system and world development. There it is asserted that at some unspecified point after the Second World War, 'socialism outgrew the bounds of one country and became a world system . . .'[25] It is further argued that: 'Capitalism, emerging in the 16th century, became a world economic system only in the 19th century. It took the bourgeois revolutions 300 years to put an end to the power of the feudal elite. It took socialism 30 or 40 years to generate the forces for a new world system.'[26] Finally, this book speaks of 'capitalism's international division of labor'[27] and 'international socialist cooperation of labor'[28] as two separate phenomena, drawing from this counterposition the policy conclusion: 'Socialist unity has suffered a serious setback from the divisive course being pursued by the incumbent leadership of the Chinese People's Republic', and attributes this to 'the great-power chauvinism of Mao Tse-Tung and his group'.[29]

Note well the contrast between these two positions. Mao Tse-Tung is arguing for viewing 'socialist society' as process rather than structure. Like Frank and Sweezy, and once again implicitly rather than explicitly, he is taking the world-system rather than the nation-state as the unit of analysis. The analysis by USSR scholars by contrast specifically argues the existence of *two* world-systems with two divisions of labor existing side by side, although the socialist system is acknowledged to be 'divided'. If divided politically, is it united economically? Hardly, one would think; in which case what is the substructural base to argue the existence of the system? Is it merely a moral imperative? And are then the Soviet scholars defending their concepts on the basis of Kantian metaphysics?

Let us see now if we can reinterpret the issues developed in these two debates within the framework of a general set of concepts that could be used to analyze the functioning of world-

25. Yuri Sdobnikov (ed.), *Socialism and Capitalism: Score and Prospects* (Moscow: Progress Publications, 1971), p. 20. The book was compiled by staff members of the Institute of World Economy and International Relations, and the senior contributor was Professor V. Aboltin.
26. *Ibid.*, p. 21.
27. *Ibid.*, p. 26.
28. *Ibid.*, p. 24.
29. *Ibid.*, p. 25.

systems, and particularly of the historically specific capitalist world-economy that has existed for about four or five centuries now.

We must start with how one demonstrates the existence of a single division of labor. We can regard a division of labor as a grid which is substantially interdependent. Economic actors operate on some assumption (obviously seldom clear to any individual actor) that the totality of their essential needs – of sustenance, protection, and pleasure – will be met over a reasonable time span by a combination of their own productive activities and exchange in some form. The smallest grid that would substantially meet the expectations of the overwhelming majority of actors within those boundaries constitutes a single division of labor.

The reason why a small farming community whose only significant link to outsiders is the payment of annual tribute does not constitute such a single division of labor is that the assumptions of persons living in it concerning the provision of protection involve an 'exchange' with other parts of the world-empire.

This concept of a grid of exchange relationships assumes, however, a distinction between *essential* exchanges and what might be called 'luxury' exchanges. This is to be sure a distinction rooted in the social perceptions of the actors and hence in both their social organization and their culture. These perceptions can change. But this distinction is crucial if we are not to fall into the trap of identifying *every* exchange activity as evidence of the existence of a system. Members of a system (a minisystem or a world-system) can be linked in limited exchanges with elements located outside the system, in the 'external arena' of the system.

The form of such an exchange is very limited. Elements of the two systems can engage in an exchange of preciosities. That is, each can export to the other what is in *its* system socially defined as worth little in return for the import of what in its system is defined as worth much. This is not a mere pedantic definitional exercise, as the exchange of preciosities *between* world-systems can be extremely important in the historical evolution of a given world-system. The reason why this is so important is that in an exchange of preciosities, the importer is 'reaping a windfall' and not obtaining a profit. Both exchange partners can reap windfalls simultaneously but only one can obtain maximum profit,

since the exchange of surplus value within a system is a zero-sum game.

We are, as you see, coming to the essential feature of a capitalist world-economy, which is production for sale in a market in which the object is to realize the maximum profit. In such a system production is constantly expanded as long as further production is profitable, and men constantly innovate new ways of producing things that will expand the profit margin. The classical economists tried to argue that such production for the market was somehow the 'natural' state of man. But the combined writings of the anthropologists and the Marxists left few in doubt that such a mode of production (these days called 'capitalism') was only one of several possible modes.

Since, however, the intellectual debate between the liberals and the Marxists took place in the era of the industrial revolution, there has tended to be a *de facto* confusion between industrialism and capitalism. This left the liberals after 1945 in the dilemma of explaining how a presumably non-capitalist society, the USSR, had industrialized. The most sophisicated response has been to conceive of 'liberal capitalism' and 'socialism' as two variants of an 'industrial society', two variants destined to 'converge'. This argument has been trenchantly expounded by Raymond Aron.[30] But the same confusion left the Marxists, including Marx, with the problem of explaining what was the mode of production that predominated in Europe from the sixteenth to the eighteenth centuries, that is before the industrial revolution. Essentially, most Marxists have talked of a 'transitional' stage, which is in fact a blurry non-concept with no operational indicators. This dilemma is heightened if the unit of analysis used is the state, in which case one has to explain why the transition has occurred at different rates and times in different countries.[31]

Marx himself handled this by drawing a distinction between 'merchant capitalism' and 'industrial capitalism'. This I believe is unfortunate teminology, since it leads to such conclusions as that of Maurice Dobb who says of this 'transitional' period:

30. Say Raymond Aron, *Dix-huit leçons de la société industrielle* (Paris: Ed. Gallimard, 1962).
31. This is the dilemma, I feel, of E. J. Hobsbawm in explaining his so-called 'crisis of the seventeenth century'. See his *Past and Present* article reprinted (with various critiques) in Trevor Aston (ed.), *The Crisis of the Seventeenth Century* (London: Routledge and Kegan Paul, 1965).

But why speak of this as a stage of capitalism at all? The workers were generally not proletarianized: that is, they were not separated from the instruments of production, nor even in many cases from occupation of a plot of land. Production was scattered and decentralized and not concentrated. *The capitalist was still predominantly a merchant* [italics mine] who did not control production directly and did not impose his own discipline upon the work of artisan-craftsmen, who both laboured as individual (or family) units and retained a considerable measure of independence (if a dwindling one).[32]

One might well say: why indeed? Especially if one remembers how much emphasis Dobb places a few pages earlier on capitalism as a mode of *production* – how then can the capitalist be primarily a merchant? – on the concentration of such ownership in the hands of a few, and on the fact that capitalism is not synonymous with private ownership, capitalism being different from a system in which the owners are 'small peasant producers or artisan-producers'. Dobb argues that a defining feature of private ownership under capitalism is that some are 'obliged to [work for those that own] since [they own] nothing and [have] no access to means of production [and hence] have no other means of livelihood'.[33] Given this contradiction, the answer Dobb gives to his own question is in my view very weak: 'While it is true that at this date the situation was transitional, and capital-to-wage-labour relations were still immaturely developed, the latter were already beginning to assume their characteristic features'.[34]

If capitalism is a mode of production, production for profit in a market, then we ought, I should have thought, to look to whether or not such production was or was not occurring. It turns out in fact that it was, and in a very substantial form. Most of this production, however, was not industrial production. What was happening in Europe from the sixteenth to the eighteenth centuries is that over a large geographical area going from Poland in the northeast westwards and southwards throughout Europe and including large parts of the Western Hemisphere as well, there grew up a world-economy with a single division of labor within which there was a world market, for which men produced largely agricultural products for sale and profit. I would think the simplest thing to do would be to call this agricultural capitalism.

This then resolves the problems incurred by using the pervasiveness of *wage* labor as a defining characteristic of capitalism. An individual is no less a capitalist exploiting labor because the state assists him to pay his laborers low wages (including wages in kind) and denies these laborers the right to change employment. Slavery and so-called 'second serfdom' are not to be regarded as anomalies in a capitalist system. Rather the so-called serf in Poland or the Indian on a Spanish *encomienda* in New Spain in this sixteenth-century world-economy were working for landlords who 'paid' them (however euphemistic this term) for cash crop production. This is a relationship in which labor power is a commodity (how could it ever be more so than under slavery?), quite different from the relationship of a feudal serf to his lord in eleventh-century Burgundy, where the economy was not oriented to a world market, and where labor power was (therefore?) in no sense bought or sold.

Capitalism thus means labor as a commodity to be sure. But in the era of agricultural capitalism, wage labor is only one of the modes in which labor is recruited and recompensed in the labor market. Slavery, coerced cash-crop production (my name for the so-called 'second feudalism'), sharecropping, and tenancy are all alternative modes. It would be too long to develop here the conditions under which differing regions of the world-economy tend to specialize in different agricultural products. I have done this elsewhere.[35]

What we must notice now is that this specialization occurs in specific and differing geographic regions of the world-economy. This regional specialization comes about by the attempts of actors in the market to avoid the normal operation of the market whenever it does not maximize their profit. The attempts of these actors to use non-market devices to ensure short-run profits makes them turn to the political entities which have in fact power to affect the market – the nation-states. (Again, why at this stage they could not have turned to city-states would take us into a long discursus, but it has to do with the state of military and shipping technology, the need of the European landmass to expand overseas in the fifteenth century if it was to maintain the level of income of the various aristocracies, combined with the state of political disintegration to which Europe had fallen in the Middle Ages.)

32. Maurice Dobb, *Capitalism Yesterday and Today* (London: Lawrence and Wishart, 1958), p. 21.
33. *Ibid.*, pp. 6–7.
34. *Ibid.*, p. 21.
35. See my *The Modern World-System*, ch. 2.

In any case, the local capitalist classes – cash-crop landowners (often, even usually, nobility) and merchants – turned to the state, not only to liberate them from non-market constraints (as traditionally emphasized by liberal historiography) but to create new constraints on the new market, the market of the European world-economy.

By a series of accidents – historical, ecological, geographic – northwest Europe was better situated in the sixteenth century to diversify its agricultural specialization and add to it certain industries (such as textiles, shipbuilding, and metal wares) than were other parts of Europe. Northwest Europe emerged as the core area of this world-economy, specializing in agricultural production of higher skill levels, which favored (again for reasons too complex to develop) tenancy and wage labor as the modes of labor control. Eastern Europe and the Western Hemisphere became peripheral areas specializing in export of grains, bullion, wood, cotton, sugar – all of which favored the use of slavery and coerced cash-crop labor as the modes of labor control. Mediterranean Europe emerged as the semiperipheral area of this world-economy specializing in high-cost industrial products (for example, silks) and credit and specie transactions, which had as a consequence in the agricultural arena sharecropping as the mode of labor control and little export to other areas.

The three structural positions in a world-economy – core, periphery, and semiperiphery – had become stabilized by about 1640. How certain areas became one and not the other is a long story.[36] The key fact is that given slightly different starting points, the interests of various local groups converged in northwest Europe, leading to the development of strong state mechanisms, and diverged sharply in the peripheral areas, leading to very weak ones. Once we get a difference in the strength of the state machineries, we get the operation of 'unequal exchange'[37] which is enforced by strong states on weak ones, by core states on peripheral areas. Thus capitalism involves not only appropriation of the surplus value by an owner from a laborer, but an appropriation of surplus of the whole world-economy by core areas. And this was as true in the stage of agricultural capitalism as it is in the stage of industrial capitalism.

36. I give a brief account of this in 'Three Paths of National Development in the Sixteenth Century', *Studies in Comparative International Development*, 7: 2 (Summer 1972) 95–101, and below, ch. 2.

37. See Arghiri Emmanuel, *Unequal Exchange* (New York: Monthly Review Press, 1972).

In the early Middle Ages, there was to be sure trade. But it was largely either 'local', in a region that we might call the 'extended' manor, or 'long-distance', primarily of luxury goods. There was no exchange of 'bulk' goods, of 'staples' across intermediate-size areas, and hence no production for such markets. Later on in the Middle Ages, world-economies may be said to have come into existence, one centering on Venice, a second on the cities of Flanders and the Hanse. For various reasons, these structures were hurt by the retractions (economic, demographic, and ecological) of the period 1300–1450. It is only with the creating of a *European* division of labor after 1450 that capitalism found firm roots.

Capitalism was from the beginning an affair of the world-economy and not of nation-states. It is a misreading of the situation to claim that it is only in the twentieth century that capitalism has become 'world-wide', although this claim is frequently made in various writings, particularly by Marxists. Typical of this line of argument is Charles Bettelheim's response to Arghiri Emmanuel's discussion of unequal exchange:

> The tendency of the capitalist mode of production to become worldwide is manifested not only through the constitution of a group of national economies forming a complex and hierarchical structure, including an imperialist pole and a dominated one, and not only through the antagonistic relations that develop between the different 'national economies' and the different states, but also through the constant 'transcending' of 'national limits' by big capital (the formation of 'international big capital', 'world firms', etc. . . .).[38]

The whole tone of these remarks ignores the fact that capital has never allowed its aspirations to be determined by national boundaries in a capitalist world-economy, and that the creation of 'national' barriers – generically, mercantilism – has historically been a defensive mechanism of capitalists located in states which are one level below the high point of strength in the system. Such was the case of England *vis-à-vis* the Netherlands in 1660–1715, France *vis-à-vis* England in 1715–1815, Germany *vis-à-vis* Britain in the nineteenth century, the Soviet Union *vis-à-vis* the US in the

38. Charles Bettelheim, 'Theoretical Comments', in Emmanual, *Unequal Exchange*, p. 295.

twentieth. In the process a large number of countries create national economic barriers whose consequences often last beyond their initial objectives. At this later point in the process the very same capitalists who pressed their national governments to impose the restrictions now find these restrictions constraining. This is not an 'internationalization' of 'national' capital. This is simply a new political demand by certain sectors of the capitalist classes who have at all points in time sought to maximize their profits within the real economic market, that of the world-economy.

If this is so, then what meaning does it have to talk of structural positions within this economy and identify states as being in one of these positions? And why talk of three positions, inserting that of 'semiperiphery' in between the widely used concepts of core and periphery? The state machineries of the core states were strengthened to meet the needs of capitalist landowners and their merchant allies. But that does not mean that these state machineries were manipulable puppets. Obviously any organization, once created, has a certain autonomy from those who pressed it into existence for two reasons. It creates a stratum of officials whose own careers and interests are furthered by the continued strengthening of the organization itself, however the interests of its capitalist backers may vary. Kings and bureaucrats wanted to stay in power and increase their personal gain constantly. Secondly, in the process of creating the strong state in the first place, certain 'constitutional' compromises had to be made with other forces within the state boundaries and these institutionalized compromises limit, as they are designed to do, the freedom of maneuver of the managers of the state machinery. The formula of the state as 'executive committee of the ruling class' is only valid, therefore, if one bears in mind that executive committees are never mere reflections of the wills of their constituents, as anyone who has ever participated in any organization knows well.

The strengthening of the state machineries in core areas has as its direct counterpart the decline of the state machineries in peripheral areas. The decline of the Polish monarchy in the sixteenth and seventeenth centuries is a striking example of this phenomenon.[39] There are two reasons for this. In peripheral

39. See J. Siemenski, 'Constitutional Conditions in the Fifteenth and Sixteenth Centuries', in *Cambridge History of Poland*, vol. 1, W. F. Reddaway *et al.* (eds.), *From the Origins to Sobieski (to 1696)* (Cambridge: University Press, 1950), pp. 416–40; Janusz Tazbir, 'The Commonwealth of the Gentry', in Aleksander Gieysztor *et al.*, *History of Poland* (Warszawa: PWN – Polish Scientific Publications, 1968), pp. 169–271.

countries, the interests of the capitalist landowners lie in an opposite direction from those of the local commercial bourgeoisie. Their interests lie in maintaining an open economy to maximize their profit from world-market trade (no restrictions in exports and access to lower-cost industrial products from core countries) and in elimination of the commercial bourgeoisie in favor of outside merchants (who pose no local political threat). Thus, in terms of the state, the coalition which strengthened it in core countries was precisely absent.

The second reason, which has become ever more operative over the history of the modern world-system, is that the strength of the state machinery in core states is a function of the weakness of other state machineries. Hence intervention of outsiders via war, subversion, and diplomacy is the lot of peripheral states.

All this seems very obvious. I repeat it only in order to make clear two points. One cannot reasonably explain the strength of various state machineries at specific moments of the history of the modern world-system primarily in terms of a genetic–cultural line of argumentation, but rather in terms of the structural role a country plays in the world-economy at that moment in time. To be sure, the initial eligibility for a particular role is often decided by an accidental edge a particular country has, and the 'accident' of which one is talking is no doubt located in part in past history, in part in current geography. But once this relatively minor accident is given, it is the operations of the world-market forces which accentuate the differences, institutionalize them, and make them impossible to surmount over the short run.

The second point we wish to make about the structural differences of core and periphery is that they are not comprehensible unless we realize that there is a third structural position: that of the semiperiphery. This is not the result merely of establishing arbitrary cutting-points on a continuum of characteristics. Our logic is not merely inductive, sensing the presence of a third category from a comparison of indicator curves. It is also deductive. The semiperiphery is needed to make a capitalist world-economy run smoothly. Both kinds of world-system, the

world-empire with a redistributive economy and the world-economy with a capitalist market economy, involve markedly unequal distribution of rewards. Thus, logically, there is immediately posed the question of how it is possible politically for such a system to persist. Why do not the majority who are exploited simply overwhelm the minority who draw disproportionate benefits? The most rapid glance at the historic record shows that these world-systems have been faced rather rarely by fundamental system-wide insurrection. While internal discontent has been eternal, it has usually taken quite long before the accumulation of the erosion of power has led to the decline of a world-system, and as often as not, an external force has been a major factor in this decline.

There have been three major mechanisms that have enabled world-systems to retain relative political stability (not in terms of the particular groups who will play the leading roles in the system, but in terms of systemic survival itself). One obviously is the concentration of military strength in the hands of the dominant forces. The modalities of this obviously vary with the technology, and there are to be sure political prerequisites for such a concentration, but nonetheless sheer force is no doubt a central consideration.

A second mechanism is the pervasiveness of an ideological commitment to the system as a whole. I do not mean what has often been termed the 'legitimation' of a system, because that term has been used to imply that the lower strata of a system feel some affinity with or loyalty towards the rulers, and I doubt that this has ever been a signifcant factor in the survival of world-systems. I mean rather the degree to which the staff or cadres of the system (and I leave this term deliberately vague) feel that their own well-being is wrapped up in the survival of the system as such and the competence of its leaders. It is this staff which not only propagates the myths; it is they who believe them.

But neither force nor the ideological commitment of the staff would suffice were it not for the division of the majority into a larger lower stratum and a smaller middle stratum. Both the revolutionary call for polarization as a strategy of change and the liberal encomium to consensus as the basis of the liberal polity reflect this proposition. The import is far wider than its use in

the analysis of contemporary political problems suggests. It is the normal condition of either kind of world-system to have a three-layered structure. When and if this ceases to be the case, the world-system disintegrates.

In a world-empire, the middle stratum is in fact accorded the role of maintaining the marginally desirable long-distance luxury trade, while the upper stratum concentrates its resources on controlling the military machinery which can collect the tribute, the crucial mode of redistributing surplus. By providing, however, for an access to a limited portion of the surplus to urbanized elements who alone, in premodern societies, could contribute political cohesiveness to isolated clusters of primary producers, the upper stratum effectively buys off the potential leadership of coordinated revolt. And by denying access to political rights for this commercial-urban middle stratum, it makes them constantly vulnerable to confiscatory measures whenever their economic profits become sufficiently swollen so that they might begin to create for themselves military strength.

In a world-economy, such 'cultural' stratification is not so simple, because the absence of a single political system means the concentration of economic roles vertically rather than horizontally throughout the system. The solution then is to have three *kinds* of states, with pressures for cultural homogenization within each of them – thus, besides the upper stratum of core states and the lower stratum of peripheral states, there is a middle stratum of semiperipheral ones.

This semiperiphery is then assigned as it were a specific economic role, but the reason is less economic than political. That is to say, one might make a good case that the world-economy as an economy would function every bit as well without a semiperiphery. But it would be far less *politically* stable, for it would mean a polarized world-system. The existence of the third category means precisely that the upper stratum is not faced with the *unified* opposition of all the others because the *middle* stratum is both exploited and exploiter. It follows that the specific economic role is not all that important, and has thus changed through the various historical stages of the modern world-system. We shall discuss these changes shortly.

Where then does class analysis fit in all of this? And what in

such a formulation are nations, nationalities, peoples, ethnic groups? First of all, without arguing the point now,[40] I would contend that all these latter terms denote variants of a single phenomenon which I will term 'ethno-nations'.

Both classes and ethnic groups, or status groups, or ethno-nations are phenomena of world-economies and much of the enormous confusion that has surrounded the concrete analysis of their functioning can be attributed quite simply to the fact that they have been analyzed as though they existed within the nation-states of this world-economy, instead of within the world-economy as a whole. This has been a Procrustean bed indeed.

The range of economic activities being far wider in the core than in the periphery, the range of syndical interest groups is far wider there.[41] Thus, it has been widely observed that there does not exist in many parts of the world today a proletariat of the kind which exists in, say, Europe or North America. But this is a confusing way to state the observation. Industrial activity being disproportionately concentrated in certain parts of the world-economy, industrial wage workers are to be found principally in certain geographic regions. Their interests as a syndical group are determined by their collective relationship to the world-economy. Their ability to influence the political functioning of this world-economy is shaped by the fact that they command larger percentages of the population in one sovereign entity than another. The form their organizations take have, in large part, been governed too by these political boundaries. The same might be said about industrial capitalists. Class analysis is perfectly capable of accounting for the political position of, let us say, French skilled workers if we look at their structural position and interests in the world-economy. Similarly with ethno-nations. The meaning

40. See my fuller analysis in 'Social Conflict in Post-Independence Black Africa: The Concepts of Race and Status-Group Reconsidered' in Ernest Q. Campbell (ed.), *Racial Tensions and National Identity* (Nashville: Vanderbilt University Press, 1972), pp. 207–26, and below, ch. 10.

41. 'Range' in this sentence means the number of different occupations in which a significant proportion of the population is engaged. Thus peripheral society typically is overwhelmingly agricultural. A core society typically has its occupations well-distributed over all of Colin Clark's three sectors. If one shifted the connotation of range to talk of style of life, consumption patterns, even income distribution quite possibly one might reverse the correlation. In a typical peripheral society, the differences between a subsistence farmer and an urban professional are probably far greater than those which could be found in a typical core state.

of ethnic consciousness in a core area is considerably different from that of ethnic consciousness in a peripheral area precisely because of the different class position such ethnic groups have in the world-economy.[42]

Political struggles of ethno-nations or segments of classes within national boundaries of course are the daily bread and butter of local politics. But their significance or consequences can only be fruitfully analyzed if one spells out the implications of their organizational activity or political demands for the functioning of the world-economy. This also incidentally makes possible more rational assessments of these politics in terms of some set of evaluative criteria such as 'left' and 'right'.

The functioning then of a capitalist world-economy requires that groups pursue their economic interests within a single world market while seeking to distort this maket for their benefit by organizing to exert influence on states, some of which are far more powerful than others but none of which controls the world market in its entirety. Of course, we shall find on closer inspection that there are periods where one state is relatively quite powerful and other periods where power is more diffuse and contested, permitting weaker states broader ranges of action. We can talk then of the relative tightness or looseness of the world-system as an important variable and seek to analyze why this dimension tends to be cyclical in nature, as it seems to have been for several hundred years.

We are now in a position to look at the historical evolution of this capitalist world-economy itself and analyze the degree to which it is fruitful to talk of distinct stages in its evolution as a system. The emergence of the European world-economy in the 'long' sixteenth century (1450–1640) was made possible by an historical conjuncture: on those long-term trends which were the culmination of what has been sometimes described as the 'crisis of feudalism' was superimposed a more immediate cyclical crisis plus climatic changes, all of which created a dilemma that could only be resolved by a geographic expansion of the division of labor. Furthermore, the balance of intersystem forces was such as to make

42. See my 'The Two Modes of Ethnic Consciousness: Soviet Central Asia in Transition?' in Edward Allworth (ed.), *The Nationality Question in Soviet Central Asia* (New York: Praeger, 1973), pp. 168–75, and below, ch. 11.

this realizable. Thus a geographic expansion did take place in conjunction with a demographic expansion and an upward price rise.

The remarkable thing was not that a European world-economy was thereby created, but that it survived the Hapsburg attempt to transform it into a world-empire, an attempt seriously pursued by Charles V. The Spanish attempt to absorb the whole failed because the rapid economic–demographic–technological burst forward of the preceding century made the whole enterprise too expensive for the imperial base to sustain, especially given many structural insufficiencies in Castilian economic development. Spain could afford neither the bureaucracy nor the army that was necessary to the enterprise, and in the event went bakrupt, as did the French monarchs making a similar albeit even less plausible attempt.

Once the Hapsburg dream of world-empire was over – and in 1557 it was over forever – the capitalist world-economy was an established system that became almost impossible to unbalance. It quickly reached an equilibrium point in its relations with other world-systems: the Ottoman and Russian world-empires, the Indian Ocean proto-world-economy. Each of the states or potential states within the European world-economy was quickly in the race to bureaucratize, to raise a standing army, to homogenize its culture, to diversify its economic activities. By 1640, those in north-west Europe had succeeded in establishing themselves as the core states; Spain and the northern Italian city-states declined into being semi-peripheral; northeastern Europe and Iberian America had become the periphery. At this point, those in semiperipheral status had reached it by virtue of decline from a former more pre-eminent status.

It was the system-wide recession of 1650–1730 that consolidated the European world-economy and opened stage two of the modern world-economy. For the recession forced retrenchment, and the decline in relative surplus allowed room for only one core state to survive. The mode of struggle was mercantilism, which was a device of partial insulation and withdrawal from the world market of *large* areas themselves hierarchically constructed – that is, empires within the world-economy (which is quite different from world-empires). In this struggle England first ousted the Netherlands from its commercial primacy and then resisted successfully

France's attempt to catch up. As England began to speed up the process of industrialization after 1760, there was one last attempt of those capitalist forces located in France to break the imminent British hegemony. This attempt was expressed first in the French Revolution's replacement of the cadres of the regime and then in Napoleon's continental blockade. But it failed.

Stage three of the capitalist world-economy begins then, a stage of industrial rather than of agricultural capitalism. Henceforth, industrial production is no longer a minor aspect of the world market but comprises an ever larger percentage of world gross production – and even more important, of world gross surplus. This involves a whole series of consequences for the world-system.

First of all, it led to the further geographic expansion of the European world-economy to include now the whole of the globe. This was in part the result of its technological feasibility both in terms of improved military firepower and improved shipping facilities which made regular trade sufficiently inexpensive to be viable. But, in addition, industrial production *required* access to raw materials of a nature and in a quantity such that the needs could not be supplied within the former boundaries. At first, however, the search for new markets was not a primary consideration in the geographic expansion since the new markets were more readily available within the old boundaries, as we shall see.

The geographic expansion of the European world-economy meant the elimination of other world-systems as well as the absorption of the remaining minisystems. The most important world-system up to then outside of the European world-economy, Russia, entered in semiperipheral status, the consequence of the strength of its state machinery (including its army) and the degree of industrialization already achieved in the eighteenth century. The independences in the Latin American countries did nothing to change their peripheral status. They merely eliminated the last vestiges of Spain's semiperipheral role and ended pockets of noninvolvement in the world-economy in the interior of Latin America. Asia and Africa were absorbed into the periphery in the nineteenth century, although Japan, because of the combination of the strength of its state machinery, the poverty of its resource base (which led to a certain disinterest on the part of world capitalist forces), and its geographic remoteness from the

core areas, was able quickly to graduate into semipheripheral status.

The absorption of Africa as part of the periphery meant the end of slavery world-wide for two reasons. First of all, the manpower that was used as slaves was now needed for cash-crop production in Africa itself, whereas in the eighteenth century Europeans had sought to *discourage* just such cash-crop production.[43] In the second place, once Africa was part of the periphery and not the external arena, slavery was no longer economic. To understand this, we must appreciate the economics of slavery. Slaves receiving the lowest conceivable reward for their labor are the least productive form of labor and have the shortest life span, both because of undernourishment and maltreatment and because of lowered psychic resistance to death. Furthermore, if recruited from areas surrounding their workplace the escape rate is too high. Hence, there must be a high transport cost for a product of low productivity. This makes economic sense only if the purchase price is virtually nil. In capitalist market trade, purchase always has a real cost. It is only in long-distance trade, the exchange of preciosities, that the purchase price can be in the social system of the purchaser virtually nil. Such was the slave trade. Slaves were bought at low immediate cost (the production cost of the items actually exchanged) and none of the usual invisible costs. That is to say, the fact that removing a man from West Africa lowered the productive potential of the region was of *zero* cost to the European world-economy since these areas were not part of the division of labor. Of course, had the slave trade totally denuded Africa of all possibilities of furnishing further slaves, then a real cost to Europe would have commenced. But that point was never historically reached. Once, however, Africa

43. A. Adu Boahen cites the instructions of the British Board of Trade in 1751 to the Governor of Cape Castle (a small British fort and trading settlement in what is now Ghana) to seek to stop the local people, the Fante, from cultivating cotton. The reason given was the following: 'The introduction of culture and industry among the Negroes is contrary to the known established policy of this country, there is no saying where this might stop, and that it might extend to tobacco, sugar and every other commodity which we now take from our colonies; and thereby the Africans, who now support themselves by wars, would become planters and their slaves be employed in the culture of these articles in Africa, which they are employed in in America'. Cited in A. Adu Boahen, *Topics in West Africa History* (London: Longmans, Green and Co., 1966), p. 113.

was part of the periphery, then the real cost of a slave in terms of the production of surplus in the world-economy went up to such a point that it became far more economical to use wage labor, even on sugar or cotton plantations, which is precisely what transpired in the nineteenth-century Caribbean and other slave labor regions.

The creation of vast new areas as the periphery of the expanded world-economy made possible a shift in the role of some other areas. Specifically, both the United States and Germany (as it came into being) combined formerly peripheral and semiperipheral regions. The manufacturing sector in each was able to gain political ascendancy, as the peripheral subregions became less economically crucial to the world-economy. Mercantilism now became the major tool of semiperipheral countries seeking to become core countries, thus still performing a function analogous to that of the mercantilist drives of the late seventeeth and eighteenth centuries in England and France. To be sure, the struggle of semiperipheral countries to 'industrialize' varied in the degree to which it succeeded in the period before the First World War: all the way in the United States, only partially in Germany, not at all in Russia.

The internal structure of core states also changed fundamentally under industrial capitalism. For a core area, industrialism involved divesting itself of substantially all agricultural activities (except that in the twentieth century further mechanization was to create a new form of working the land that was so highly mechanized as to warrant the appellation industrial). Thus whereas, in the period 1700–40, England not only was Europe's leading industrial exporter but was also Europe's leading agricultural exporter – this was at a high point in the economy-wide recession – by 1900, less than 10 percent of England's population were engaged in agricultural pursuits.

At first under industrial capitalism, the core exchanged manufactured products against the periphery's agricultural products – hence, Britain from 1815 to 1873 as the 'workshop of the world'. Even to those semiperipheral countries that had some manufacture (France, Germany, Belgium, the US), Britain in this period supplied about half their needs in manufactured goods. As, however, the mercantilist practices of this latter group both

cut Britain off from outlets and even created competition for Britain in sales to peripheral areas, a competition which led to the late nineteenth-century 'scramble for Africa', the world division of labor was reallocated to ensure a new special role for the core: less the provision of the manufactures, more the provision of the machines to make the manufactures as well as the provision of infrastructure (especially, in this period, railroads).

The rise of manufacturing created for the first time under capitalism a large-scale urban proletariat. And in consequence for the first time there arose what Michels has called the 'anti-capitalist mass spirit',[44] which was translated into concrete organizational forms (trade unions, socialist parties). This development intruded a new factor as threatening to the stability of the states and of the capitalist forces now so securely in control of them as the earlier centrifugal thrusts of regional anti-capitalist landed elements had been in the seventeenth century.

At the same time that the bourgeoisies of the core countries were faced by this threat to the internal stability of their state structures, they were simultaneously faced with the economic crisis of the latter third of the nineteenth century resulting from the more rapid increase of agricultural production (and indeed of light manufactures) than the expansion of a potential market for these goods. Some of the surplus would have to be redistributed to someone to allow these goods to be bought and the economic machinery to return to smooth operation. By expanding the purchasing power of the industrial proletariat of the core countries, the world-economy was unburdened simultaneously of two problems: the bottleneck of demand, and the unsettling 'class conflict' of the core states – hence, the social liberalism or welfare-state ideology that arose just at that point in time.

The First World War was, as men of the time observed, the end of an era; and the Russian Revolution of October 1917 the beginning of a new one – our stage four. This stage was to be sure a stage of revolutionary turmoil but it also was, in a seeming paradox, the stage of the *consolidation* of the industrial capitalist world-economy. The Russian Revolution was essentially that of a semiperipheral country whose internal balance of forces had

44. Rober Michels, 'The Origins of the Anti-Capitalist Mass Spirit', in *Man in Contemporary Society* (New York: Columbia University Press, 1955), vol. 1, pp. 740–65.

been such that as of the late nineteenth century it began on a decline towards a peripheral status. This was the result of the marked penetration of foreign capital into the industrial sector which was on its way to eliminating all indigenous capitalist forces, the resistance to the mechanization of the agricultural sector, the decline of relative military power (as evidenced by the defeat by the Japanese in 1905). The Revolution brought to power a group of state managers who reversed each one of these trends by using the classic technique of mercantilist semiwithdrawal from the world-economy. In the process of doing this, the now USSR mobilized considerable popular support, especially in the urban sector. At the end of the Second World War, Russia was reinstated as a very strong member of the semiperiphery and could begin to seek full core status.

Meanwhile, the decline of Britain which dates from 1873 was confirmed and its hegemonic role was assumed by the United States. While the US thus rose, Germany fell further behind as a result of its military defeat. Various German attempts in the 1920s to find new industrial outlets in the Middle East and South America were unsuccessful in the face of the US thrust combined with Britain's continuing relative strength. Germany's thrust of desperation to recoup lost ground took the noxious and unsuccessful form of Nazism.

It was the Second World War that enabled the United States for a brief period (1945–65) to attain the same level of primacy as Britain had in the first part of the nineteenth century. United States growth in this period was spectacular and created a great need for expanded market outlets. The Cold War closure denied not only the USSR but eastern Europe to US exports. And the Chinese Revolution meant that this region, which had been destined for much exploitative activity, was also cut off. Three alternative areas were available and each was pursued with assiduity. First, western Europe had to be rapidly 'reconstructed', and it was the Marshall Plan which thus allowed this area to play a primary role in the expansion of world productivity. Secondly, Latin America became the reserve of US investment from which now Britain and Germany were completely cut off. Thirdly, southern Asia, the Middle East and Africa had to be decolonized. On the one hand, this was necessary in order to reduce the share

of the surplus taken by the western European intermediaries, as Canning covertly supported the Latin American revolutionaries against Spain in the 1820s.[45] But also, these countries had to be decolonized in order to mobilize productive potential in a way that had never been achieved in the colonial era. Colonial rule after all had been an *inferior* mode of relationship of core and periphery, one occasioned by the strenuous late-nineteenth-century conflict among industrial states but one no longer desirable from the point of view of the new hegemonic power.[46]

But a world capitalist economy does not permit true imperium. Charles V could not succeed in his dream of world-empire. The Pax Britannica stimulated its own demise. So too did the Pax Americana. In each case, the cost of *political* imperium was too high economically, and in a capitalist system, over the middle run when profits decline, new *political* formulae are sought. In this case the costs mounted along several fronts. The efforts of the USSR to further its own industrialization, protect a privileged market area (eastern Europe), and force entry into other market areas led to an immense spiralling of military expenditure, which on the Soviet side promised long-run returns whereas for the US it was merely a question of running very fast to stand still. The economic resurgence of western Europe, made necessary both to provide markets for US sales and investments and to counter the USSR military thrust, meant over time that the west European state structures collectively became as strong as that of the US, which led in the late 1960s to the 'dollar and gold crisis' and the retreat of Nixon from the free-trade stance which is the definitive mark of the self-confident leader in a capitalist market system. When the cumulated Third World pressures, most notably Vietnam, were added on, a restructuring of the world division of labor was inevitable, involving probably in the 1970s a quadripartite division of the larger part of the world surplus by the US, the European Common Market, Japan, and the USSR.

Such a decline in US state hegemony has actually *increased* the freedom of action of capitalist enterprises, the larger of which

45. See William W. Kaufman, *British Policy and the Independence of Latin America, 1804–28* (New Haven: Yale University Press, 1951).
46. Cf. Catherine Coquery-Vidrovitch, 'De l'impérialisme britannique à l'impérialisme contemporaine – l'avatar colonial', *L'Homme et la société*, 18 (October–December 1970), 61–90.

have now taken the form of multinational corporations which are able to maneuver against state bureaucracies whenever the national politicians become too responsive to internal worker pressures. Whether some effective links can be established between multinational corporations, presently limited to operating in certain areas, and the USSR remains to be seen, but it is by no means impossible.

This brings us back to one of the questions with which we opened this paper, the seemingly esoteric debate between Liu Shao-Chi and Mao Tse-Tung as to whether China was, as Liu argued, a socialist state, or whether, as Mao argued, socialism was a *process* involving continued and continual class struggle. No doubt to those to whom the terminology is foreign the discussion seems abstrusely theological. The issue, however, as we said, is real. If the Russian Revolution emerged as a reaction to the threatened further decline of Russia's structural position in the world-economy, and if fifty years later one can talk of the USSR as entering the status of a core power in a *capitalist* world-economy, what then is the meaning of the various so-called socialist revolutions that have occurred on a third of the world's surface? First let us notice that it has been neither Thailand nor Liberia nor Paraguay that has had a 'socialist revolution' but Russia, China and Cuba. That is to say, these revolutions have occurred in countries that, in terms of their internal economic structures in the pre-revolutionary period, had a certain minimum strength in terms of skilled personnel, some manufacturing, and other factors which made it plausible that, within the framework of a capitalist world-economy, such a country could alter its role in the world division of labor within a reasonable period (say 30–50 years) by the use of the technique of mercantilist semi-withdrawal. (This may not be all that plausible for Cuba, but we shall see.) Of course, other countries in the geographic regions and military orbit of these revolutionary forces had changes of regime without in any way having these characteristics (for example, Mongolia or Albania). It is also to be noted that many of the countries where similar forces are strong or where considerable counterforce is required to keep them from emerging also share this status of minimum strength. I think of Chile or Brazil or Egypt – or indeed Italy.

Are we not seeing the emergence of a political structure for

semiperipheral nations adapted to stage four of the capitalist world-system? The fact that all enterprises are nationalized in these countries does not make the participation of these enterprises in the world-economy one that does not conform to the mode of operation of a capitalist market system: seeking increased efficiency of production in order to realize a maximum price on sales, thus achieving a more favorable allocation of the surplus of the world-economy. If tomorrow U.S. Steel became a worker's collective in which all employees without exception received an identical share of the profits and all stockholders are expropriated without compensation, would U.S. Steel thereby cease to be a capitalist enterprise operating in a capitalist world-economy?

What then have been the consequences for the world-system of the emergence of many states in which there is no private ownership of the basic means of production? To some extent, this has meant an internal reallocation of consumption. It has certainly undermined the ideological justification in world capitalism, both by showing the political vulnerability of capitalist entrepreneurs and by demonstrating that private ownership is irrelevant to the rapid expansion of industrial productivity. But to the extent that it has raised the ability of the new semiperipheral areas to enjoy a larger share of the world surplus, it has once again depolarized the world, recreating the triad of strata that has been a fundamental element in the survival of the world-system.

Finally, in the peripheral areas of the world-economy, both the continued economic expansion of the core (even though the core is seeing some reallocation of surplus internal to it) and the new strength of the semiperiphery has led to a further weakening of the political and hence economic position of the peripheral areas. The pundits note that 'the gap is getting wider', but thus far no one has succeeded in doing much about it, and it is not clear that there are very many in whose interests it would be to do so. Far from a strengthening of state authority, in many parts of the world we are witnessing the same kind of deterioration Poland knew in the sixteenth century, a deterioration of which the frequency of military coups is only one of many signposts. And all of this leads us to conclude that stage four has been the stage of the *consolidation* of the capitalist world-economy.

Consolidation, however, does not mean the absence of contradictions and does not mean the likelihood of long-term survival. We thus come to projections about the future, which has always been man's great game, his true *hybris*, the most convincing argument for the dogma of original sin. Having read Dante, I will therefore be brief.

There are two fundamental contradictions, it seems to me, involved in the workings of the capitalist world-system. In the first place, there is the contradiction to which the nineteenth-century Marxian corpus pointed, which I would phrase as follows: whereas in the short run the maximization of profit requires maximizing the withdrawal of surplus from immediate consumption of the majority, in the long run the continued production of surplus requires a mass demand which can only be created by redistributing the surplus withdrawn. Since these two considerations move in opposite directions (a 'contradiction'), the system has constant crises which in the long run both weaken it and make the game for those with privilege less worth playing.

The second fundamental contradiction, to which Mao's concept of socialism as process points, is the following: whenever the tenants of privilege seek to coopt an oppositional movement by including them in a minor share of the privilege, they may no doubt eliminate opponents in the short run; but they also up the ante for the next oppositional movement created in the next crisis of the world-economy. Thus the cost of 'cooption' rises ever higher and the advantages of cooption seem ever less worthwhile.

There are today no socialist systems in the world-economy any more than there are feudal systems because there is only *one* world-system. It is a world-economy and it is by definition capitalist in form. Socialism involves the creation of a new kind of *world*-system, neither a redistributive world-empire nor a capitalist world-economy but a socialist world-government. I don't see this projection as being in the least utopian but I also don't feel its institution is imminent. It will be the outcome of a long struggle in forms that may be familiar and perhaps in very few forms, that will take place in *all* the areas of the world-economy (Mao's continual 'class struggle'). Governments may be in the hands of persons, groups or movements sympathetic to this transformation but *states* as such are neither progressive nor

reactionary. It is movements and forces that deserve such evaluative judgments.

Having gone as far as I care to in projecting the future, let me return to the present and to the scholarly enterprise which is never neutral but does have its own logic and to some extent its own priorities. We have adumbrated as our basic unit of observation a concept of world-systems that have structural parts and evolving stages. It is within such a framework, I am arguing, that we can fruitfully make comparative analyses – of the wholes and of parts of the whole. Conceptions precede and govern measurements. I am all for minute and sophisticated quantitative indicators. I am all for minute and diligent archival work that will trace a concrete historical series of events in terms of all its immediate complexities. But the point of either is to enable us to see better what has happened and what is happening. For that we need glasses with which to discern the dimensions of difference, we need models with which to weigh significance, we need summarizing concepts with which to create the knowledge which we then seek to communicate to each other. And all this because we are men with hybris and original sin and therefore seek the good, the true, and the beautiful.

2 Three paths of national development in sixteenth-century Europe

In the search to comprehend the world-system of our day, few have turned towards analysis of the political economy of sixteenth-century Europe. Yet such an analysis is extremely relevant, not only because the modern world-system was created there then, but because most of the processes that explain the workings of this system are to be found there in their pristine form, and hence can be examined with greater clarity.

The modern world-system originated in the sixteenth century, the 'long' sixteenth century as Fernand Braudel has called it, that is, from 1450 to 1640. This was the period in which was created a European world-economy whose structure was unlike any that the world had known before. The singular feature of this world-economy was the discontinuity between economic and political institutions. This discontinuity made possible and was made possible by the creation of capitalist forms of production, not only in commerce and industry, but most important of all, in agriculture.

World-economies had existed before in history – that is, vast arenas within which a sophisicated division of labor existed based on a network of trade, both long-distance and local. But wherever such a world-economy had evolved previously, sooner or later an imperium expanded to fill the geographical space of this economy, a single political structure – such as Rome, Byzantium, China. The imperial framework established political constraints which prevented the effective growth of capitalism, set limits on economic growth and sowed the seeds of stagnation and/or disintegration.

By a series of historical accidents too complex to develop here, the nascent European world-economy of the sixteenth century knew no such imperium. The only serious attempt to create one