

Wallerstein Immanuel, World-systems analysis: an introduction. Duke University Press – 2004.

World-system analysis is a method for studying socio-economic phenomena from a perspective that challenges the traditional organisation of social sciences into distinct disciplines (economics, history, sociology and politics as separate boxes of analysis). It is a holistic approach. World-system analysis seeks to explain the dynamics of the “capitalist world-economy” as a “total social system”. Its investigation area concerns the process of emergence of capitalism, its development and its demise – if any. According to Wallerstein, the last thirty years do not represent the often called globalisation age – to him globalisation is not new (it is not the first time that the world experiences a globalisation process, there were the Roman globalisation, the – but rather the beginning of the decline of the modern world-system. So the objective of this course is to provide the tools to study the evolution of the last thirty years, of what is currently described as globalisation but from an original perspective.

World-system analysis originated in the seventies around the work of Immanuel Wallerstein and, after more than thirty years, it still represents a minority view, an oppositional view in the world of social sciences but it is recognized as a major intellectual achievement.

Curiously, in this [text]book, it is the first time that Wallerstein provides a systematic presentation of the world-system analysis. He had been working on world-system analysis for over thirty years and it is the first time that he explains in one place its premises and principles. Alternatively, the classical introductory book to world-systems analysis was *Historical capitalism with capitalist civilization* which provides a synthetic analysis of the process of development of capitalism using a world-system perspective (but in the background).

This book is the result of five lectures that Wallerstein gave in a Spanish summerschool.

Chapter 1 and two and to a lesser extent also chapter 3 will be studied into more depth, the rest of the book will only be summarised.

In the first chapter he explains the intellectual background of the world-system analysis, that is, what have been his theoretical influences; in chapter 2 he gives the definitions of the core concepts of his analysis: of world-system, of core-periphery, of secular trend and cyclical rhythm and so on; in the next two chapters, he presents the major mechanisms underlying the working of the modern world-system and in the last chapter he explains why he thinks that the capitalist system is today on crisis.

Chapter one

Historical origins of world-systems analysis

Introduction

Aim of the paper

To trace back the influences on which world-system analysis was built.

This new way of looking at socio-economic phenomena emerged in the beginning of the seventies. Its core concepts were not new but borrowed from different disciplines, such as history (the term world-system itself), economy (unequal exchange), sociology (classes), and politics (balance of powers). What was new was the articulation of these concepts into a coherent holistic perspective. World-system has emerged as a reaction against the traditional separation of disciplines into the social sciences that prevents us to fully understand socio-economic phenomena and as an intellectual product of its time as a synthesis of different intellectual debates that confronted social scientists in the mid twentieth century.

How does he proceed?

In two times: Wallerstein provides: - an overview of the process of segmentation of knowledge in the social sciences in the different academic disciplines;

- a brief description of the intellectual debates confronting social scientists at the roots of the world-system analysis.

1. History of the structure of knowledge

It is an historical investigation in order to understand the way in which knowledge is nowadays organised: divided into different disciplines.

He starts the history in the mid eighteenth century, that is when the divorce between science and philosophy occurred.

1.1. The divorce between science and philosophy

Traditionally, knowledge was the exclusivity of the religious authorities. This state of affairs was increasingly put into question since the end of medieval age by philosophers who thought that one could arrive at a certain understanding of reality using his mind rather than referring to God and religious truths – Descartes, Spinoza. Science and philosophy were then strictly interconnected

(scientists and philosophers were the same persons) and there were no separation of knowledge into various disciplines (Wallerstein gives the example of Kant who could teach poetry, physics and politics at the same time). However, by the eighteenth century, philosophy was put in question too: it was accused of being as arbitrary as religion in providing knowledge for the understanding of reality. A new method of knowledge acquisition made its appearance: science should be built no more on the metaphysical thoughts of philosophers but on the experiences, on the empirical analysis of the so-called scientists. Knowledge thus starts from observation and induction.

The modern university was built on this divorce between science proper and philosophy. More precisely:

Organisation of knowledge in medieval universities:

Four faculties:

- theology
- medicine
- law
- philosophy

Organisation of knowledge in modern universities: the faculty of philosophy disappeared and was replaced by two new faculties: science and humanities –the divorce.

In science (physics, chemistry, geology, mathematics...), the method of investigation was empirist, based on experience and observation. The goal was the search for truth, for universal laws – nomothetic approach of knowledge- with the pretence of being value free – science is objective.

In humanities (philosophy, art history, literature...), on the contrary, the method of investigation was based on empathy, on interpretation, on qualitative narrative –idiographic approach of knowledge.

Remark: the debate of nomothetic versus idiographic approach of knowledge forms the famous *methodenstreit* – the war of methods which in the 19th century divided social scientists (in economics: german historical school versus marginalists and Austrian economists).

1.2. The birth of social sciences

The French revolution of 1789 had a double impact on this division of knowledge in modern universities. First, the French revolution showed that society was not immutable, that drastic

political changes could occur and this put forward the necessity of studying the dynamics of political change. Second, the French revolution also showed that the organisation of society belongs to the people, in other words, it showed the sovereignty of the people, putting forward the necessity of studying the dynamics of social change.

The study of social reality thus became an imperative. The question was however in which way to study the social reality? That is, in which faculty? In science or humanities? As we will see, the answer is: uncomfortably in the middle.

Social sciences were made up of 4 disciplines: history in order to understand past societies and economy, sociology and politics in order to understand present modern society. The term “modern” refers to post French revolution societies, that is societies built on three basic institutions, the state (politics), the market (economics) the people (sociology). Whereas the first discipline, the most ancient – history – was idiographic, the other three tended toward a nomothetic vision of knowledge.

Since the revolution of Leopold Ranke, history was based on archive work (before Ranke, history was mainly an instrument in the hands of monarchs who used it to legitimise their power through invented tales; with Ranke, history became the attempt to write the past as it did really occur – studies on archives then). Archives were mainly available in modern countries. So, the discipline called history, was devoted to the history of occidental modern countries. In the same way, the three other disciplines were centred upon modern states, European post FR countries (with a market economy – the study object of economics / with a political class of executives – the study object of politics / and with a sovereign people – the study object of sociology).

History insisted that every event was unique and was suspicious of any generalisation. It thus stand in the idiographic camp. The three other disciplines on the contrary, may be because they were new disciplines in search for a scientific acknowledgment, stood in the nomothetic camp (in economics for instance, since Smith, economists are looking for the universal mechanisms that rule market relationships).

The field covered by these 4 disciplines was however incomplete in the sense that it leaves outside the realm of academic knowledge the study of a specific social reality: what was lacking was the study of the working of non modern society, of non European countries, more precisely of the colonies and of Asiatic civilisations. Anthropology and Orientalism came to complete the picture. Anthropology is the study of small groups, of tribes, their organisation, customs, language and religion. This study was needed in order to insure the success of colonisation by European modern countries. Orientalism was intended as the study of Asiatic peoples – Indians, Chinese, Arabs, Persians- that is high civilisations. The main question being to understand why these high

civilisations did not become modern civilisations. These two disciplines feel more comfortable in the humanities side rather than science.

This division of knowledge in various disciplines expanded in this form until the 1940s. Then things needed to change in order to adapt the new configuration of the world. The United States became the most powerful country of the world – in world-system terms: it became the hegemonic power of the capitalist world-economy. The rise of Japan and China on the one hand, the independent movements in the colonies on the other hand were phenomena of first importance. The United States needed tools for its foreign policy in order to understand these evolutions and it could not rely for this upon anthropology or orientalism. What was needed was a systematic study of the history, the economy, the society and the politics of these non-industrial countries. In other words, it was necessary to expand the field of these disciplines from modern countries to the rest of the world. To this purpose, American universities introduced the discipline of “area studies”, i.e. the complete study (economy, society, history and politics) of particular geographic areas. However, there seems to be a contradiction then: the universalism of these disciplines contrasts with the specificity of the object of study – contradiction between the 4 nomothetic disciplines and the idiographic nature of the study of the peculiarities of a specific area. The solution of this dilemma stands in the way in which the concept of development was defined.

1.3. The development of the concept of development

This is the title of a paper from Wallerstein

The whole argument of this first part of chapter one is developed in numerous papers of Wallerstein. For instance, for an overview in French see:

http://classiques.uqac.ca/contemporains/WALLERSTEIN_Immanuel/developpement_concept_developpement_resume.html

“The development of the concept of development”, *Sociologie et sociétés*, vol. 14, no 2, octobre 1982, pp. 133-141.

Rostow’s theory of stage of development allows to reconcile universalism with time and space specificities: all countries expand along a similar path but at different pace so that the search for universal concept remains valid. Moreover, these concepts that apply to developed countries become the reference toward which every country should try to evolve, each one according to its own social specificities.

In 1960, the American Economic Historian, WW Rostow suggested that countries passed through five stages of economic development.

Stage 1 Traditional Society

The economy is dominated by subsistence activity where output is consumed by producers rather than traded. Any trade is carried out by barter where goods are exchanged directly for other goods. Agriculture is the most important industry and production is labour intensive using only limited quantities of capital. Resource allocation is determined very much by traditional methods of production.

Stage 2 Transitional Stage (the preconditions for takeoff)

Increased specialisation generates surpluses for trading. There is an emergence of a transport infrastructure to support trade. As incomes, savings and investment grow entrepreneurs emerge. External trade also occurs concentrating on primary products.

Stage 3 Take Off

Industrialisation increases, with workers switching from the agricultural sector to the manufacturing sector. Growth is concentrated in a few regions of the country and in one or two manufacturing industries. The level of investment reaches over 10% of GNP.

The economic transitions are accompanied by the evolution of new political and social institutions that support the industrialisation. The growth is self-sustaining as investment leads to increasing incomes in turn generating more savings to finance further investment.

Stage 4 Drive to Maturity

The economy is diversifying into new areas. Technological innovation is providing a diverse range of investment opportunities. The economy is producing a wide range of goods and services and there is less reliance on imports.

Stage 5 High Mass Consumption

The economy is geared towards mass consumption. The consumer durable industries flourish. The service sector becomes increasingly dominant.

According to Rostow development requires substantial investment in capital. For the economies of LessDevCountries to grow the right conditions for such investment would have to be created. If aid

is given or foreign direct investment occurs at stage 3 the economy needs to have reached stage 2. If the stage 2 has been reached then injections of investment may lead to rapid growth.

Limitations

Many development economists argue that Rostows's model was developed with Western cultures in mind and not applicable to LDCs. In addition its generalised nature makes it somewhat limited. It does not set down the detailed nature of the pre-conditions for growth. In reality policy makers are unable to clearly identify stages as they merge together. Thus as a predictive model it is not very helpful. Perhaps its main use is to highlight the need for investment. Like many of the other models of economic developments it is essentially a growth model and does not address the issue of development in the wider context.

Here is the state of the art of the division of knowledge between the social sciences, inherited from the historical need of information of the dominant countries. World-system analysis breaks with this organisation, arguing that this separation of discipline does not allow to fully understand social phenomena. The pictures provided by economists, historians, sociologists and political analysts are untrue and partial. **Phenomena are studied in separate boxes but these boxes are – as this reconstruction tries to show- constructs of men's imagination rather than constructs of reality.** According to Wallerstein, the division of knowledge into distinct boxes – disciplines- is an obstacle, not an aid, to understanding the world.

World-system analysis blossomed from different schools of resistance to this segmentation of knowledge. This is the object of the second part of the chapter.

2. Four intellectual debates

They paved the way to world-system analysis. They run from 1945 to the 60s in the social sciences and concern: the core-periphery concepts and the dependency theory; the utility of Marx "asiatic mode of production"; the transition from feudalism to capitalism; the practice of history of the *Annales* school.

2.1. core-periphery concepts

These concepts were developed independently by 2 economists, Raul Prebisch and Hans Singer in 1950. Prebisch is more famous but it seems that Singer wrote down the thesis before. They both worked in the economic department of the United Nations, the first as director of the economic

commission of Latin America (ECLA which became after this finding, the center of Third World activism in the UN), the second, Singer, was Director of the Economic Division of the UN Industrial Development Organization (UNIDO), Director of the United Nations Research Institute for Social Development (UNRISD), and was closely involved in the creation of the Bretton Woods Framework and the post-World War II international financial institutions.

According to the **Singer-Prebisch thesis**, the terms of trade between primary products and manufactured goods tend to deteriorate over time.

The **terms of trade** are the ratio of the price of an export commodity(s) to the price of an import commodity(s). "Terms of trade" are sometimes used as a proxy for the relative social welfare of a country, but this heuristic is technically questionable and should be used with extreme caution.

The thesis suggests that countries that export primary commodities (such as most developing countries) - the periphery - would be able to import less and less for a given level of exports of industrialised commodities - from the core.

Singer and Prebisch examined data over a long period of time suggesting that the terms of trade for primary commodity exporters did have a tendency to decline. A common explanation for the phenomenon is the observation that the income elasticity of demand for manufactured goods is greater than that for primary products - especially food.

The **income elasticity of demand** measures the responsiveness of the quantity demanded of a good to the income of the people demanding the good. It is measured as the percentage change in demand that occurs in response to a percentage change in income. For example, if, in response to a 10% increase in income, the quantity of a good demanded increased by 20%, the income elasticity of demand would be $20\%/10\% = 2$.

Therefore, as incomes rise, the demand for manufactured goods increases more rapidly than demand for primary products.

Implications (political intervention mainly) : - Prebisch went on to argue that, for this reason, developing countries should strive to diversify their economies and lessen dependence on primary commodity exports by developing their manufacturing industry. He advocated ISI policies (import substitution industrialising), i.e. nation isolates itself from trade and tries to industrialize using only its domestic market as an engine.

- Singer was a passionate advocate for increased foreign aid, in a variety of forms, to the developing world to offset the disproportionate gain to developed nations through trade. He attempted to create a 'soft-loan' fund, which offers loans at interest rates below the free market, to be administered by the United Nations but was systematically blocked by the United States and the United Kingdom, who wished to retain control of money flowing out of the UN.

This thesis was really pathbreaking with the dominant economic theory on international trade still influenced by the Ricardian theory of comparative advantages which states that any nation could benefit from trade even if it does not have any absolute advantage in producing goods. Here in the contrary, it is stated that a country could remain in a situation of underdevelopment because of the structure of the international trade in which it is involved. This latter statement is known as the **dependency theory**: underdevelopment is the consequence of the development of capitalism [Samir Amin].

2.2. Asiatic mode of production

According to Marx, the *combination* of forces and relations of production means that the way people relate to the physical world and the way people relate to each other socially are bound up together in specific and necessary ways which define a mode of production. People must consume to survive, but to consume they must produce, and in producing they necessarily enter into relations which exist independently of their will.

For Marx, the whole 'secret' of why/how a social order exists and the causes of social change must be discovered in the specific mode of production that a society has. He further argued that the mode of production substantively shaped the nature of the mode of distribution, the mode of circulation and the mode of consumption, all of which *together* constitute the economic sphere. To understand the way wealth was distributed and consumed, it was necessary to understand the conditions under which it was produced.

A mode of production is historically distinctive for Marx, because it constitutes an 'organic totality' (or self-reproducing whole) which is capable of constantly re-creating its own initial conditions, and thus perpetuate itself in a more or less stable way for centuries, or even millennia. By performing social surplus labour in a specific system of property relations, the labouring classes constantly reproduce the foundations of the social order.

When however new productive forces or new social relations develop that conflict with the existing mode of production, this mode of production will either evolve without losing its basic structure, or else begin to break down. This then gives rise to a transitional era of social instability and social conflict, until a new social order is finally consolidated, with a new mode of production.

The Asiatic mode of production is one out of the seven modes of production that Marx recognized in human history: - the primitive communism (paleolithic and Neolithic, characterised with the absence of social classes and no production surplus and where production and consumption are entirely shared);

the asiatic mode of production ; Initially used to explain pre-slave and pre-feudal society in China, India, the Nile river valleys. The asiatic mode of production is said to be the initial form of class society, where a small group extracts social surplus through violence aimed at settled or unsettled band communities within a domain. Exploited labour is extracted as forced corvee labour (allowing for monumental construction such as the pyramids, ancient Indian communal baths or the Chinese Great Wall). Exploited labour is also extracted in the form of goods directly seized from the exploited communities. The primary property form of this mode is the direct religious possession of communities (villages, bands). The ruling class of this society is generally a semi-theocratic aristocracy which claims to be the incarnation of gods on earth. The forces of production associated with this society include basic agricultural techniques, massive construction and storage of goods for social benefit (granaries). Notice that the Asiatic mode of production describes exactly the so-called “civilisations” studied by orientalists.

the slave mode of production (ancient Greeks and Romans, system based on violent exploited labour, with advanced agriculture, the extensive use of animals in agriculture, and advanced trade networks- this mode includes the feudal mode of production),

the capitalist mode of production (exploitation is hidden by the labour contract, labour is a commodity, sold by proletarians in order to survive to bourgeoisie, the ruling class who posses the means of production, also mechanisation in the form of robotisation and taylorism, bureaucratisation of the State);

The socialist mode of production (not yet into effect, so its exact nature remains debatable. Some theorists argue that prefiguring forms of socialism can be seen in voluntary workers' cooperatives, strike committees, labour unions; the socialist mode of production is meant to be a society based on

workers' control of all production, with a property form equating consumption with productive labour. The primary ruling class of this mode is meant to be the working class);

The communist mode of production (Since it refers to the far future, it is a highly debated theoretical construct. Communism is meant to be a classless society, with the management of things replacing the management of people.

Why a debate over the utility of this concept of asiatic mode of production:

This concept was used to describe part of the history of the Russian empire. Stalin did not like this interpretation of history and decided to eliminate this concept from the Marxist framework obliging scholar to difficult reinterpretations of Russian history. After Stalin's death, the concept could be reintegrated into the analysis but at this point, it opened the debate over the historical determinism of Marx's analysis of modes of production which might, like Rostow's theory, be criticised for developmentalism.

2.3. Transition to capitalism

Paul Sweezy versus Maurice Dobb

The debate on the transition from feudalism to capitalism opposed Maurice Dobb to Paul Sweezy in the 50s. It begins with the publication of Dobb's book in 1947: *Studies in the Development of Capitalism*. In it, He utilized Marx's notion of a mode of production as a combination of social relations (in particular property relations) and technical forces to provide an interpretation of the "organic" collapse of feudalism – collapse from within, the internal contradictions. The interaction between material and social forces in feudal society had led to irreversible crises. This analysis emphasized the role of class struggle in the development and overthrow of the feudal mode of production, in opposition to other arguments dependent on technological determinism or the role of "external forces". Shortly after this publication, Paul Sweezy wrote a critical review in *Science and Society* that led to the famous Dobb-Sweezy debate (sometimes called "the transition debate") that confronted contrary interpretations of capitalist origins against each other. Dobb placed great weight on changes in the English countryside such as the Enclosure Acts, while Sweezy looked to urban trade in cities such as Flanders and Genoa, and, relying a lot on Henri Pirenne, the French historian, he emphasized the importance of Mediterranean trade routes in the end of feudalism.

So, in the Dobb's camp, the causes of the transition to capitalism were internal, endogenous to feudalism, with a special emphasis on class struggle at the country level. In the Sweezy's camp, the country as the unit of analysis lost his primacy, the causes of the transition being embedded in a

larger dynamics at the mediterranean zone scale, with special emphasis on the evolution of international trade, i.e. on external – exogenous – causes.

2.4. The *Annales* school

The **Annales School** – l'école des annales - is a French movement of historians, named after the French scholarly journal *Annales d'histoire économique et sociale* (later called *Annales. Economies, sociétés, civilisations*, then renamed in 1994 as *Annales. Histoire, Sciences Sociales*). The journal and the subsequent movement were founded by Marc Bloch and Lucien Febvre in 1929. The school really developed all over the world thanks to the work of an historian of the second generation: Fernand Braudel.

They were reacting against the dominant way of writing history in the 20s. The usual practice consisted in focusing in political history –politics, diplomacy and war- concentrating on short term events – histoire événementielle- neglecting the social and economic aspects of historic events (dust in the eyes according to Braudel) and highly idiographic – each event is unique and nothing can be generalised from it, purely descriptive.

According to the annales on the contrary: - history should be total, i.e. every analysis should also give importance not only to the political aspects but also to the economic, social, cultural aspects, to the geography and the mentalities of that historical moment. They put in question the separation of the different disciplines in social sciences;

- they pioneered an approach to a study of long-term historical structures (*la longue durée*) over events (“histoire événementielle”). Focusing on long term allows for some kind of generalisations, identifying the permanence of civilisations, their stable structures and mechanisms.

- the relevant unit of analysis is not anymore the countries, the states as it obviously was when the focus was on political dynamics. Braudel introduced the term of world-economy. A world-economy is made off of three elements:

- a centre represented by a dominant city, a capital city;
- a geographic space that delimits the domain of interactions within the world-economy which goes on enlarging as new territories were discovered over the world;
- different zones of influence: the centre controls the international division of labour in the geographical space, but less and less while we get away from the centre toward the periphery.

Braudel analysed the history of capitalism as the succession of different world-economy. Indicatively: Venice (1380-1500); Antwerp (Anvers) (1500-1550); Genoa (Gènes) (1550-1590); Amsterdam (1590-1780); London (1780-1929); NY since 1929...???

3. synthesis

From these debates, what remains that was incorporated in some form into the world-system analysis?

Although these 4 debates were independent from one another they shared the characteristic of questioning the current division of knowledge in the social sciences and each of them had an influence in the formation of the world-system analysis.

The primary concerns of world-system analysis were the change of the unit of analysis – not the national state anymore; the incorporation of core-periphery concepts; the reject of the current division of knowledge in the social sciences- holistic approach to phenomena; the emphasis on *longue durée* - multiseclar analysis.

3.1. a new unity of analysis

The political state is replaced as standard unit of analysis by the historical-system. There are three kinds of historical system: mini-system / two kinds of world-system: world-empire and world-economies. This distinction is clearly adapted from Braudel's analysis of the mediterranean zone. Clearly, the adoption of this unit of analysis invalidates Dobb's position in the transition debates.

The concepts of world-system also borrowed from the Hungarian economic anthropologist Karl Polanyi who identifies three modes of economic organizations: reciprocity, redistribution and market.

- All societies (or cultures) are economically integrated in three ways.

Firstly by Reciprocity: I make you a gift – I give you a yam, and some time later you make me a gift - give me a yam. The outcome is non-accumulative, but creates a social bond. [Mini-systems]

Secondly by Redistribution: we all give our yams to the chief who then stages a feast and sponsors a religious ceremony for the gods. Some accumulation may occur, but the most important benefit is group solidarity. [world-empires]

Thirdly by self-regulating Market Exchange: we all act independently, related by contract, profitability alone determining what kinds of action survive. The outcome is individualistic "accumulation without end".[world-economies]

Notice that it is an economic criterion that allows to distinguish between the three kinds of historical systems.

- a mini-system has within it a complete division of labour and a single cultural framework. These no longer exist, and were found only in very simple agricultural or hunting and gathering societies. Any such system that became tied to an empire by the payment of tribute as protection costs by that fact was no longer a mini-system, since it no longer had a self-contained division of labour.

- A world-system (be it a world-empire or a world-economy) is a unit with a single division of labour and multiple cultural systems. World-empires have a common political system - eg the Roman Empire- whereas world-economies don't have a common system -- eg, the world today. World economies have historically been unstable, leading either towards disintegration or conquest by one group and, hence, transformation into a world-empire.

Wallerstein's remark about the hyphen is not an anecdote. It is the basic issue of a debate within world-system approach with Andre Gunder Frank, another major exponent of this movement. Contrary to Wallerstein, Gunter Frank believes that the existence and development of the same world system in which we live stretches back at least five thousand years. The rise to dominance of Europe and the West in this world system are only recent- and probably passing-events. He quoted Ranke: There is no history but world history. Unlike Gunter Frank's nearly **World** wide System, Wallerstein's World-**Systems** are in a "world" of their own, which need not be even nearly world wide. And Wallerstein goes on defining the term of world-system:

Def in this chapter: "it is a spatial/temporal zone which cut across many political and cultural units [including different political states and peoples] that represents an integrated zone of activity and institutions which obey certain systemic rules."

For Wallerstein, a world-system is a social system, with his own boundaries (zones of influences), structures, member groups and coherence. It has the characteristics of an organism, in that it has a lifespan over which its characteristics change in some respects and remain stable in others...Its life is made up of the conflicting forces which hold it together by tension and tear it apart as each group seeks eternally to remould it to its advantage. Life within it is largely self-contained, and the

dynamics of its development are largely internal. The integration is provided by the market rather than a political centre.

3.2. core-periphery concepts

The concept of world-system is much in debt with the ECLA core-periphery distinction since a distinctive element of definition of world-system concerns its specific division of labour: in effect, in his own first definition, Wallerstein (1974) said that a world-system is a "multicultural territorial *division of labour* in which the production and exchange of basic goods and raw materials is necessary for the everyday life of its inhabitants." This division of labour refers to the forces and relations of production of the world economy as a whole and it leads to the existence of two interdependent regions: *core* and *periphery*.

In reality, Wallerstein insists that it is not countries or regions that are core countries or peripheral countries. These adjective refers to production processes: a production process is core-like if it is relatively capital intensive and monopolised (few producers in the market) and peripheral if it is relatively labour intensive and free market (many producers in the market). Since developing countries tend to rely mostly upon peripheral production processes and developed countries upon core-like production processes, it is an acceptable shorthand of language to speak about core and periphery in terms of regions and countries. These are geographically and culturally different, one focusing on labour-intensive, and the other on capital-intensive production.

This division of labour between core-like and peripheral production processes leads to unequal exchange between the zones.

3.3. World-system analysis and the division of knowledge

Brief because it is the object of investigation of part one of this chapter.

This term should be clearly distinguished from pluri- or trans-disciplinarity which refers to the popular idea that much research would be better done if the researchers combine the skills of two or more disciplines. Unidisciplinarity refers to the belief that in the social sciences at least, there exist today no sufficient intellectual reason to separate disciplines at all, and that instead, all works should be considered part of a single discipline, sometimes called the social historical sciences. As a matter of facts, it is impossible to position world-system analysis in social science discipline. Is it history, economics, sociology, cultural studies... ?

3.4. World-system and time

World-systems are analysed from two temporal perspectives: cyclical rhythms and secular trends. This position is directly inherited from Braudel who replaced the traditional distinction between *short time of events* used by idiographic scholars –*histoire événementielle*- and the *eternal time* of nomographic social scientists by another distinction: the *structural time* that reflects continuing but not eternal structural realities – the *longue durée* – and *cyclical time* of ups and downs that occurred within the framework of a given structural time.

Structural time: the *longue durée* is simply the life span of a particular world-system –emergence, development and demise. The focus on the *longue durée* allows to consider the stable elements of a world-system – the secular trends- without considering them as universal (even if they have lasted for several centuries). World-systems are systems in the process of slowly transforming themselves in the direction of limits beyond which they cannot pass. The secular trends are both the self-reproducing and the self-transforming aspects of a world-system.

In the capitalist world-system, there are 4 secular trends identified :

- geographic expansion: incorporation in the world-system of peripheral territories previously constituted in mini-systems or controlled by other world-empires.
- Commodification: process by which goods are defined through their exchange value rather than their use value. Commodification of land for instance is today near of its physical limit; commodification of labour is the process of proletarianisation of households.
- Mechanisation: Wallerstein does not put a central emphasis on the English industrial revolution but develops a larger vision revaluing upwards the importance of the Dutch innovations and insisting on the continuing increase of the ratio of constant capital to variable capital.
- Bureaucratisation: Wallerstein here builds on Max Weber. This process represents the strengthening of all the organisational structures vis-à-vis individuals and groups. It has both a stabilizing and destabilising effect on the world-system because on the one hand, it increases the capacity of ruling class to repress opposition but on the other hand, the capacity of the ruling class to control the bureaucracies themselves decreases with its size (influence of Schumpeter also).

These are processes constitutive of the evolving capitalist world-economy.

Cyclical time: regular cyclical rhythms are another constitutive element of world-systems. Wallerstein has been relatively uninterested in short term business cycles, but struck by the regularities of the long waves emphasized by Kondratieff and Schumpeter (from 40 to 50 years)

and of even longer swings (about 300 years). The cyclical rhythms of the capitalist world-system provide the basis of Wallerstein's periodisation of modern history.

- 1450-1624/40: a first phase of growth and expansion during the “long 16th century”;
- 1600-1730: phase of contraction and stagnation;
- 1750-1917: growing predominance of industry over agriculture/ globalisation/ rise and demise of British hegemony;
- 1917-....: consolidation of the global world-system rise of the American hegemony.

Chapter 2

The modern World-System as a Capitalist World-Economy

Chapters 2 and 3 of the textbook are a synthesis of *Historical capitalism with capitalist civilization*, available in French. I will mainly follow the textbook adding details from this previous book.

The objective of these chapters is to define the most fundamental concepts and mechanisms founding the world-system approach.

In chapter 2, he defines the terms of capitalism, world-economy, shows that capitalism could emerge and expand only in the framework of a world-economy and describes the fundamental institutions of capitalism: markets, firms, classes, households [states in the next chapter] and status group. All these actors are influenced by two opposite ideologies: universalism and racism whose function as we shall see is to legitimise the repartition of powers, of privileges, and the international ddt.

In chapter 3, he examines into more details the fundamental institution of the state. More precisely, he analyses the extent of the autonomy of states within the world-economy and presents what he calls the interstate system.

1. The capitalist world-economy: defining terms

According to Wallerstein, the modern world-economy is a capitalist system. It emerged in the end of the 15th century.

1.1. World-economy

He defined the concept of world-economy along the lines of Braudel. The most important characteristic of a world-economy is an economic feature (Wallerstein is often criticised for economism, that is, economic aspects of phenomena are often at the centre of the analysis, the first determinants for understanding social evolution, reducing the relative importance of all the other social aspects) : a world-economy is first of all defined by a coherent division of labour between core and peripheral processes of production (in other terms, by a coherent **axial division of labour**). A world-economy is not defined by a unique political structure (states are not any more the unit of analysis), nor by a unique culture (although some dominant cultural pattern may emerge – a geoculture). Notice that also world-empire are defined by axial division of labour but this is not their most important feature: a world-empire such as the Roman empire or the Chinese empire, is

first of all a large bureaucratic structure with a single political centre that manages an axial division of labour upon a territory made of multiple cultures.

1.2. Capitalism as a historical system

The modern world-economy is a capitalist world-economy. What does this term of capitalism means? According to Wallerstein, it is an historical system where the priority is given to the endless accumulation of capital. Capital is used in order to produce more capital. Notice that Wallerstein barely employs the term of “capitalism” or of “capitalist system”: but rather that of capitalist world-economy or historical capitalism (in other writings), meaning that capitalism is a “historical system”.

- it is a “*historical system*”: a specific moment of history defined by specific actors (firms, states, households, status groups, classes) and the relations between them aiming at promoting the accumulation of capital;
- It is a “*historical system*” because it is made up of mechanisms that penalise or eliminate the actors who do not act in harmony with the objective of endless accumulation of capital whereas these mechanisms enforce the positions of the actors that promote this objective.

Only a *capitalist* world-economy can survived for such a long time as it is actually doing. All the other world-economy were transformed into empire-system or were destructed. The reason is that in a world-economy, the unifying feature of the different part of the system is the division of labour. Its efficiency defines the cohesion of the whole system. Of course, a capitalist dd, i.e. aiming at continuous accumulation of capital is the most efficient in terms of producing wealth. It explains the success of the contemporary world-economy.

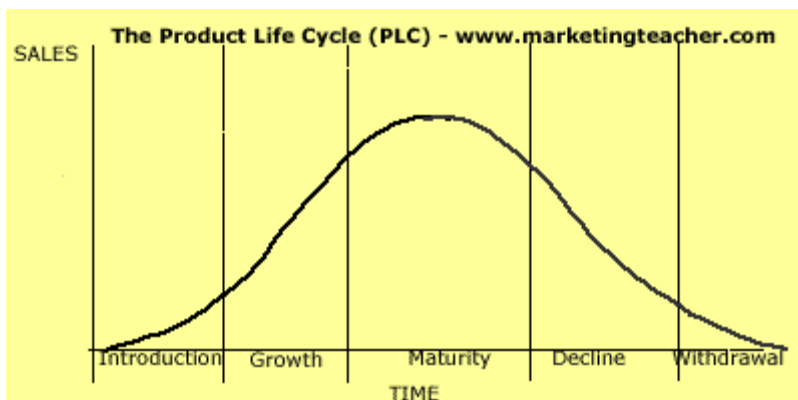
On the other hand, capitalism can exist and expand only in the realm of a world-economy, not of a mini-system nor of an empire-system: mini-systems do not provide sufficiently large markets for capitalism to develop and in empire-states, political power have the priority over economic interests.

2. The institutions of the modern world-system

2.1. The institution of markets

The basic idea developed by Wallerstein is that free market doesn't exist. The reality is made up of monopolies, oligopolies. Free market is a mystification. Not only there is no market in reality that works like the theoretical perfect competition structure, but moreover, this theoretical norm is not desired by entrepreneurs and above all, free market does not allow for an efficient accumulation of capital: remember that with pure and perfect competition, profits are nil. The market structures that allow for capital accumulation are monopolies and oligopolies. But monopolies are not ever-lasting, they are self liquidating in the sense that production processes that take place in a monopoly or an oligopoly structure tend to transform into more and more competitive processes as time goes by. Here Wallerstein relies upon the product life cycle theory:

After a period of development a product is introduced or launched into the market; it gains more and more customers as it grows; eventually the market stabilises and the product becomes mature; then after a period of time the product is overtaken by development and the introduction of superior competitors, it goes into decline and is eventually withdrawn. However, most products fail in the introduction phase. Others have very cyclical maturity phases where declines see the product promoted to regain customers.



Strategies for the differing stages of the Product Life Cycle

Introduction phase

The need for immediate profit is not a pressure. The product is promoted to create awareness. The product has no or few competitors. Limited numbers of product are available in few channels of distribution. Monopoly or quasi-monopoly [core-like production processes].

Growth

Competitors are attracted into the market with very similar offerings. Products become more profitable and companies form alliances, joint ventures. Advertising spend is high and focuses upon building brand. Market share tends to stabilise. Oligopolies [core-like production processes].

Maturity

Those products that survive the earlier stages tend to spend longest in this phase. Sales grow at a decreasing rate and then stabilise. Producers attempt to differentiate products and brands are key to this: Monopolist competition prevails. Then price wars and intense competition occur. At this point the market reaches saturation. Producers begin to leave the market due to poor margins. Transition from core to periphery.

Decline

At this point there is a downturn in the market. For example more innovative products are introduced or consumer tastes have changed. There is intense price-cutting and many more products are withdrawn from the market. Profits can be improved by reducing marketing spend and cost cutting (labour). Competition [peripheral production processes].

States have the power to enforce or stabilise monopolies and oligopolies through different interventions:

- imposing a system of patents for intellectual property;
- through states' trade policies (restricting imports and forcing other states not to restrict their imports – protectionism);
- through states' fiscal policy, etc...

According to Wallerstein, without such interference from the States, the capitalist system could not survive. A look to the history of the emergence of capitalism may also convince us of this paradox: capitalism is the result of intervention from states, it is the result of a union, a tacit pact, between merchants, producers on the one hand and politics on the other hand. It has nothing natural, but rather, was constructed. Since the end of the 15th century indeed, merchants gave their logistic and financial support to the politicians in exchange for the constitution of a large internal and international market (common laws and common money in a country, military defence of economic interests, colonisation...).

2.2. The institution of firms

Wallerstein's unit of analysis is more the industry than the single firm.

2.2.1. The evolution of industries from core to periphery

As a consequence of the working of the markets (imperfect competition is the rule), firms tend to concentrate more and more. Competition is not efficient! It is not efficient for producers who see

their profit share reducing and it is not efficient for capitalism as a system whose objective is the accumulation of capital.

As monopolies tend to dissolve as their product enters the maturity phase, the solution in order to avoid a destructive competition in terms of capital accumulation is to change product. As a matter of fact, **industries evolve from the core to the periphery**. Consider for instance the textile industry: this leading industry of the English industrial revolution in the end of the 18th century is nowadays typically a peripheral industry. The same holds for steel, automobiles and even computers.

Wallerstein also defines here an intermediate category of his own, the **semiperipheral states**. This concept is slightly different in nature from core and periphery concept: we cannot talk of semiperipheral products contrary to core-like and peripheral products. Core and periphery, strictly speaking, concern processes (even if it is acceptable for a contingent reason to speak of core-like and peripheral states) whereas semiperipheral concerns directly a state: it is a country with a fairly even distribution of core-like and peripheral processes of production. A semiperipheral country exports core-like products to peripheral zones and peripheral products to core-like zones (examples nowadays: Brazil, India and South Korea).

2.2.2. cyclical rhythm: Kondratieff cycles and secular trend

The evolution of industries from the core to the periphery creates adjustment mechanisms at the world-economy scale that account for the cyclical rhythms of the world-economy. So, **the continually changing core-periphery structure of the world-economy is at the origins of the cyclical movements of the capitalist system**. More precisely, Wallerstein refers to Kondratieff cycles or long waves. The regularity with which the world-economy is fluctuating indicates that these cyclical rhythms might be congenital of capitalism itself.

The first to make this argument in a sustained manner was Nikolai Kondratieff, a Russian economist writing in the 1920s. Statistical work on the behaviour of prices, and some output series, for the United States and Britain since the 1790s, led him to conclude that the existence of long waves was very probable. He saw the capitalist economy as evolving and self-correcting and, by implication, he denied the notion of an approaching collapse of capitalism then current among Marxist economists.

In the 1930s, Joseph Schumpeter endorsed this concept, and named the pattern the Kondratieff, a name that has since been attached to this phenomenon, even as its existence remained in contention

in the years after 1945. Neo-classical economists have remained wary of it [prudent], and it is only in the 1970s, as the post-World War II expansion slowed down once again that attention was drawn to it, and new research especially on innovation moved the subject forward in an important manner.

Let's spend some more time on this theory.

Characteristics (see table)

The emerging view now broadly characteristic of a significant body of scholarship (see in particular Rostow 1978, Van Duijn 1983, Freeman 1983, Berry 1991, Modelski and Thompson 1996) might be summarized as follows:

1. K-waves are attributes of the world economy and are more visible in international production data than in those of individual national economies. They are processes characteristic first of all of a lead national economy (such as that of the United States, or Britain in the 18-19th centuries) and of world trade in products and services of leading sectors, hence of the global economy.
2. K-waves concern output, rather than prices; they concern sectorial output increase and infrastructural investment in the world economy rather than the general macroeconomic performance (e.g. GNP growth) of national economies. They should not be sought for in the ups and downs of such indicators as gross domestic product and must be distinguished from shorter-term business cycles and fluctuations in the economic conditions of individual countries. However, high-growth periods for leading sectors tend to translate into general economic expansion and prosperity.
3. K-waves unfold as phased processes, including for each particular sector, and over a period of some 50-60 years, a period of slow start-up, followed by fast growth – the A-phase (expansion)– followed by stagnation or B-phase.
4. K-waves arise from clusters [grappes] of innovations that launch technological revolutions that in turn create leading industrial or commercial sectors. In Schumpeter's classic formulation, such innovations concern new products, services, and methods of production, the opening of new markets and sources of raw materials, and the pioneering of new forms of business organisation. Each such wave therefore has its own individual innovative character.
5. K-waves have their own characteristic location in space and time. Britain's cotton wave was centred on Manchester. The information K-wave is preferentially seen in such locations as Silicon Valley and Orange County in California. K-waves also have a clear location in time, and can be

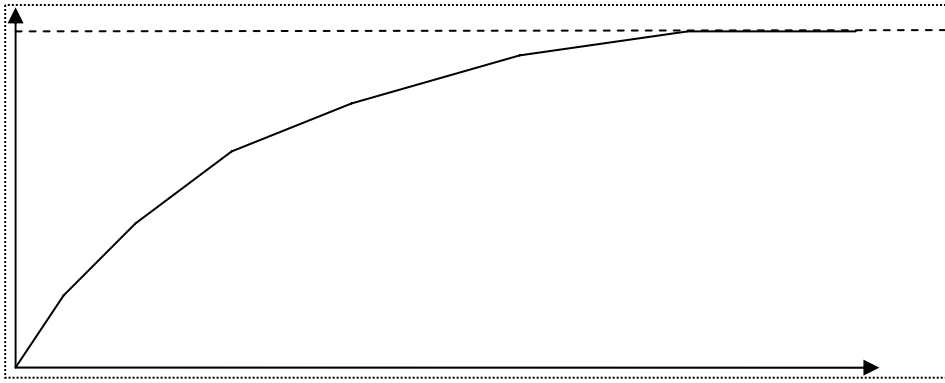
dated. There is no standard listing, but there is some agreement on the four or five most recent ones: a K-cycle over the period 1740-1792 with leading country being Britain and leading industries being iron and cotton; the next K-cycle, from 1792 to 1850, also concerns Britain but the impulse and innovations came from the railway and the steel industry; the next K-cycle saw the shift of leadership toward USA and leading industry becomes electricity, until 1914.; then the automobile industry takes the lead until 1973 where it were replace by the information industry. Historians and world-system theorists now extend such dating further into the past.

6. K-waves each have their own special character and specialisation but each in its own way also changes the structure of the world-economy; that is why a sequence of K-waves gives rise to structural transformations. Hall and Preston (1988) have shown that the three most recent K-waves (those that launched i.a. the telegraph and electric power, radio and electronics, and computers and the information industries) might jointly be seen as the carriers of the information revolution. Only in such an extended time-frame can truly long-term processes be properly observed.

Wallerstein articulates K-waves with secular trends. A **secular trend** is a long term tendency (for instance of capital concentration, or household proletarianisation) that emerges as a result of solving the problems of the Kondratieff B-phase. Schematically, it works as follows: in the A-phase, the leading industry is strongly concentrated and yields important profits; with the progressive liquidation of the monopoly structure of this industry in favour of more and more competition, overproduction arises, then a fall of profits and then we enter the B-phase with a fall in production. The measures taken in order to overtake the B-phase are to increase wages from the core (now producing something else) in order to increase the effective demand and compensate the fall of profits of the previous leading industry by a reduction of costs (labour costs) through delocalisation in peripheral processes. The result is a secular trend of progressive increase of the percentage of proletarianised households (this process will be studied into more details in the next point).

% of proletarianised households

100%



Time

The phenomenon goes on until it is not possible anymore, when the asymptote is reached.

Remarks:

Kondratieffs and War

Specialists of International Political Economy have had a long-standing interest in the relationship between K-waves and war. Indeed Kondratieff himself might be regarded as the originator of the hypothesised link between these two phenomena. In particular he observed that wars and revolutions were more likely to occur during what might be called the long start-up, or the transition period. A striking illustration was the Great Depression of the 1930s sandwiched between the two World Wars and between two K-wave peaks, of pre-1914 and post-1945 expansions. In a long time frame economic upswings associated with K-waves appear to increase the probability of severe war. This question is the object of a debate between Brian Berry (1991) (*long waves rhythms in economic development and politic behaviour*) who doubts such a connection, and is troubled by the notion of an inherent tendency to war in the global political system and Goldstein (1971) (*Long Cycles: Prosperity and War in the Modern Age*).

Kondratieffs and Global Leadership

Some scholars argue for a close link between K-waves and global leadership. For if the series of K-waves shown in Table 1 can be seen as the rise and decline of successive globally-significant lead industries, then that same table also shows that the series is tightly linked to a parallel (and structurally similar) process, the rise and decline of world powers, hence lasting change in world political arrangements. That latter process is often referred to as the hegemonic cycle, or as the long cycle of global politics.

The rise of each such power is seen to be coordinated with K-waves in two ways: in space, in as much as each K-wave is largely located in the world power of that period, and in time, in as much as the timing of these two processes of change is synchronized. What is more, a lead economy, that succeeds in launching lead industrial sectors, is a necessary condition in attaining global leadership; in turn, attainment of global leadership creates the political framework of a global economic order.

In that way, each long cycle of global politics has been matched, in the experience of the modern world, by two Kondratieffs. The first of these serves to establish the necessary conditions for global leadership (as when the late 19th century industrial expansion in steel, chemistry, and electric power laid the foundation for the United States role in the 20th century) and the second is put in place as the result of that attainment of that leadership (as when the settlement [arrangement] of 1945 paved the way for the economic expansion of the post-war years, led by autos, oil, and electronics).

Long Cycles	World Powers	Date	K-Waves	Global leading sectors
LC1	Northern Sung	930	K1	Printing and paper
		990	K2	National market
LC2	Southern Sung	1060	K3	Fiscal framework
		1120	K4	Maritime trade expansion
LC3	(Genoa)	1190	K5	Champagne Fairs
		1250	K6	Black Sea trade
LC4	(Venice)	1300	K7	Galley fleets
		1350	K8	Pepper
LC5	Portugal	1420	K9	Guinea gold
		1492	K10	Spices
LC6	Dutch Republic	1540	K11	Baltic trade
		1580	K12	Asian trade
LC7	Britain I	1640	K13	American plantations
		1680	K14	Amerasian trade
LC8	Britain II	1740	K15	Cotton, iron
		1792	K16	Railroads
LC9	USA	1850	K17	Electric power, steel
		1914	K18	Electronics, motor vehicles
LC10		1973	K19	Information industries
		2026	K20	

2.3. The institution of households

The essential characteristic of households is that they represent a community which shares incomes and consumption. Income in this definition is understood in a broad sense. There are 5 different kind of incomes which, in different proportion, might constitute the overall income of a household:

- wages of course;
- subsistence activities (not only growing food but also any kind of domestic work which does not pass through a market);
- Petty [secondaire] commodities production (trade on a market of domestic productions; the child who sells cigarettes one by one in the street has disassembled the package at home as a production activity);
- Rent (the income flows from ownership, not from work).

These incomes are gender and age related, respectively:

- adult male;
- adult female;
- young, old and female adult.

2.3.1. *Proletarian and semi-proletarian households*

Wallerstein defines two kinds of households according to the relative importance of wage income in the overall household income:

-proletarian households are households where wages represents more than 50% of the overall income;

-semi-proletarian households are households where income wages are less than 50% of the overall income.

The history of capitalism is linked with a secular trend of proletarianisation of households. The paradox is that this process is much slower than what we would expect. One may think that capitalism as a system needs first of all proletarian households. This was certainly true during the phase of emergence of this system, when shortcomings in labour forces was an obstacle to production. But this is now a false picture according to Wallerstein: capitalists prefer dealing with semi-proletarian households. Proletarian households are heavily dependent on wages and then wages cannot be reduced below the subsistence level. In semi-proletarian households on the contrary, wages incomes may be lower than this subsistence level without endangering the survival of the household because the household relies on other substantial sources of income.

So the balance of forces driving the process of proletarianisation is complex: on the one hand, producers taken individually prefer employing workers from semi-proletarian households but on the other hand, employers as a class, need higher income wages in order to sustain the market for their products and households themselves seek to be proletarianised.

Another characteristic of households is that they are located into social classes, that is into groups with similar economic interests and they are located into status group which define their social identity in terms of nation, ethnic group, religious community, sexual preferences and so on... The important point for Wallerstein is that it is households not individuals that belong to classes and status group. This process of homogenisation of households around a common identity has an essential function for the stability of the capitalist world-economy [Wallerstein develops a rather functionalist view of capitalism: why is there a tendency of cultural homogenisation within households? Because it is useful to capitalism]: it allows a uniform socialisation of its members, that is the acceptance of the hierarchies, myths and rhetoric of the world-economy.

2.3.2. Universalism and racism

More generally, there are two principal ideologies that mould [strongly influence] households cultural values: the ideologies of universalism and the ideology of racism and sexism. Universalism and racism are the two pillars of the cultural construction of the modern world-economy.

This statement could sound strange for these ideologies seem at first sight opposite. They are indeed opposite but act with the same function: to give legitimacy to the socio-economic organisation of the modern world-system, to legitimise the division of powers, of privileges, of tasks in the modern world-system. As a matter of fact, these two norms do not apply to the same categories of households: universalism is a positive norm, professed to all but which applies only to the cadres of the world-economy whereas racism is a negative norm, barely promoted but which applies to the majority of the world's workers.

Universalism – “the gospel of modernity” according to Wallerstein - is the idea that it is possible to formulate general proposition that are valid for everybody, at any time, anywhere. It should be the objective of science and, at the social level, it translates into the idea that the socio-economic positions of people depends exclusively on their competence, that is it translates into the idea of meritocracy as the legitimate mechanism of social division of powers and privileges.

Racism and sexism on the contrary, justify that the socio-economic position depends more on the identity of people than on their competence proper. In other words, racism is an institutionalised

discrimination linking identity with social valuation. It consists for instance in justifying by the tradition and culture, the ethnical division of labour which confines ethnic minorities to specific works, poorly promoted and paid (Polish are good plumbers, Chinese are good in sewing, Haitians are good in tough physical work...).

2.4. The institution of states

2.4.1. *Sovereign States*

In chapter 3, Wallerstein deals with the functions of states in promoting the world-economy. The basic question he is setting regards the extent of the real political autonomy of States. States are indeed part of a complex interstate system which affects (either restricting or strengthening) this presumed autonomy and their political powers.

Contrary to what one may think, the political powers of absolute monarchs were far less important than today prime ministers' powers of most developed countries. To this respect, Wallerstein identifies the following secular trend: the political powers of the States have been slowly but steadily increasing since the beginning of the modern world-economy and this at two levels:

- the internal level – local authority and people must recognise the sovereign authority of the central State otherwise it is a situation of civil war;
- the external level, through the reciprocal recognition with other sovereign States – Wallerstein gives examples of States that had no authority until their claim for sovereignty was recognised by other important States (The people republic of China were recognised by UN, withdrawing the credentials of the republic of China which carries out its authority only in Taiwan).

2.4.2. *Intervention and laissez-faire*

Sovereign States play a central role in the promotion of the modern world-economy, that is in contributing to the process of capital accumulation. More precisely, Wallerstein identifies seven domains in which their action is in this sense determinant, seven domain in which the intervention of the State helps firms to achieve their goal of capital accumulation:

(1) trade policy: States decide under what conditions goods, capital and labour (persons) may cross their boundaries. This dimension concerns the degree of protectionism of States and their immigration policy. Any decision at this level favours one entrepreneur or the other, there is no neutral position from States. The same holds in all of the seven domains of State intervention.

(2) Property rights: States defend and enforce property rights that is the right to recover the capital that one has accumulated by setting laws that prevent arbitrary confiscation from the States

of goods, lands or money and robbery by individuals. With no guarantee of property right protection, firms will not continue to accumulate capital.

(3) Working place legislation: States intervene in setting the rules concerning employment and wages. This is typically an arena where facts and discourses are out of phase since on the one hand entrepreneurs typically claim that the State should abstain from any intervention in this domain – discourse - whereas on the other hand – facts - State intervention is indispensable for them in order to ensure the labour supply, to create an effective demand and to minimise the social conflicts between workers and owners.

(4) Externalisation of costs: the totality of production costs are not held by firms but to some extent by public expense. In other terms, profits are totally private but costs are partly socialised. Externalisation means that the community pays for a service that is of direct profit to firms. Wallerstein gives three different kinds of costs that are usually significantly externalised: the costs of toxicity – the State supports the cost of cleaning up the environment - the costs of exhaustion of material – the State supports the cost of replacement of materials (forest in Ireland, in the Amazon) and the costs of transport – the States create the infrastructures of transportation – (one may add the costs of formation of qualified workers through the public financing of schools and technical institutes);

(5) Industrial policy: the State decides what production processes may be monopolised or quasi-monopolised through the allocation of patents, restrictions on imports and exports, through subsidies and taxes and other interventions;

(6) Fiscal policy: tax represents the major source of income for the State which might through redistribution contribute to the accumulation of capital process. The choice of the mode of taxation and the choice of the reallocation of resources is a determinant State power. The construction of State sovereignty was first of all established by the implementation of a bureaucracy able to collect taxes.

(7) Foreign policy: the State is the defender of the interests of its national firms in front of outsiders. According to its possibility the State may put pressure on the other States in order to make the interests of its entrepreneurs.

All these areas are of course closely interconnected – the externalisation of costs is the result of a choice in terms of fiscal policy, foreign and trade policy are linked, the use of military force may be a means for expanding national property rights to foreign territories and so on... There are two common points to these areas of State intervention that are worth noticing: first, no public action is neutral in the sense that it results from a political choice of promoting the interests of a class or of a

particular group over another; second, this enumeration put into question the official ideology of *laissez-faire*. There is indeed a gap between the official and dominant discourse of some entrepreneurs and political leaders about the harmful effect of State intervention and the reality where nobody wants *Laissez-faire* to be implemented.

2.4.3. Relationships between States: Imperialism, balance of power and hegemony

In theory, all States are sovereign but the degree with which they manage to deal with these 7 domains of intervention depends on their strength, that is on the way in which their authority is perceived by their citizens and by other countries. An important point to Wallerstein is that the very implementation of authority –military power – by a State is the proof of its weakness (think of dictatorial regimes). Another symptom of its weakness is the relative strength of local notables (from aristocratic families to local mafias). A means to strengthen a State authority is to transform its population into a nation and nationalism is created through the school system, the civil service and public ceremonies. Of course the weakest States in the hierarchy of the interstate system are the colonies which are non-sovereign administrative units under the jurisdiction of a sovereign State. Obtaining independence means sovereignty being recognised.

More generally, how strong States relate to weak States (and to colonies as an extreme case)?

In choosing to some extent the persons who run the country, in imposing cultural practices such as language and educational policies; in imposing decisions at the international level which weak States can only conform to... This is what is labelled **imperialism**. More generally, imperialism is the set of practices which seeks to enforce the unequal exchange between core and periphery.

On the other hand, the relationships between strong States, still being a zero sum game in the sense that any decision favours a particular group of people in a State to the detriment of the others, is ruled by another mechanism : the **balance of power**.

A balance of power exists when there is parity or stability between competing forces. It expresses the doctrine intended to prevent any one nation from becoming sufficiently strong so as to impose its will upon the rest or in Wallerstein terms, so as to become the center of a world-empire. It was first formulated by David Hume in his *Essay on the Balance of Power*. In its essence it is no more than a precept of commonsense, born of experience and the instinct of self-preservation; in the 17th century, this doctrine became explicitly a fundamental principle of European diplomacy: no one state should be able absolutely to predominate and prescribe laws to the rest. And, since all were equally interested in this settlement, it was held to be the interest, the right, and the duty of every

power to interfere, even by force of arms, when any of the conditions of this settlement were threatened any other member. This principle formed the basis of the coalitions against Louis XIV and Napoleon, and the occasion, or the excuse, for most of the wars which desolated Europe from the 17th century onwards. In that game of political and economic alliances, Wallerstein underlines the crucial role of semiperipheral States which are part and parcel of this rivalry process: they fight against each other in order to become part of the core and not to fall back into periphery (Taiwan versus Irak).

So this mechanism have the function of holding together the interstate system, impeding the transformation of the world-economy into a world-empire through a balanced rivalry between States made up of changing alliances. The mechanism of balance of power has not the task however of preventing the rise of an hegemonic power. Three States achieved hegemony in the history of the modern world-economy: the United-Provinces (the Netherland) in the 17th century; United Kingdom in the 19th century and the United States in the 20th. No one manage to transform the system into an world-empire (despite the grandiose attempt of Charles V in the 16th century, Napoleon in the 19th and Hitler in the 20th)

Hegemony means the political dominance of one group over other groups, with or without the threat of force, to the extent that, the dominant group can dictate the rules of the game to its advantage; It flows from the capacity of dominant groups to persuade subordinate ones to accept, adopt and internalize their values and norms. Ideas become "naturalised" and common sense (Antonio Gramsci).

The sense in which this term is used by Wallerstein is narrower: it refers to situations in which one State combines economic, political and financial superiority over the others and therefore has also military and cultural leadership as well. Hegemonic powers define the rules of the game but they are never strong enough to absorb the entire world-system, just strong enough to police it.

The phenomenon of hegemony is a necessarily temporary one, it is self-destructive due to three processes. First, the increase in the standard of living in the hegemonic State tends to increase wages and reduce its economic competitiveness; second, technical advantages are diffused through imitation, theft, or capital export; third, world-wide technical advance makes possible the effectiveness of larger political units which put into question the domination of the hegemonic State.

Chapter 3

Rise and crisis of the world-economy geoculture

This is a simple summary of chapter 4 and 5 of the textbook. (Faire intervenir qlq du CAGI)

Interview of Wallerstein on that topic: <http://www.zmk.uni-freiburg.de/Wallerstein/>

Introduction

What is a geoculture?

It refers to norms and modes of discourse that are widely accepted as legitimate within the world-system. It is the dominant ideology of the world-system. In this chapter Wallerstein shows that a geoculture does not come into existence automatically with the onset of a world-system but rather has to be created. The questioning of this geoculture constitutes what Wallerstein has labelled the anti-systemic movements, that is, social and national movements of strong resistance to the existing historical system with the aim of overthrowing it (le renverser).

Summary of the argument:

The ideological consensus that arose after the French revolution was liberal centrism as the result of the confrontation of three ideologies: liberalism, conservatism and radicalism. The revolution of may 68 is the point of departure of the crisis of this geoculture and also the point of departure of a new strategy from anti-systemic movements. Today, the clash is between neoliberalism as the new dominant ideology and anti-globalisation as the new dominant anti-systemic movement.

1. The creation of a geoculture

An ideology is not only a world view but also a strategy to change the world. Ideologies were born together with the French revolution. Before the FR there were no ideology because political change was not the norm. The French revolution set two main ideas: that structural political change is normal and that these changes are originated from the sovereign people, by citizens. An ideology is thus a view of what changes would be better for the society together with a set of strategies of how realising these changes.

The two ideologies in rivalry after the French revolution were conservatism and liberalism.

Conservatism is the party of order, of conservation of order, of traditions, of hierarchies. Conservatives were against the change of the revolution, supported the institutions of the monarchy, the church, the family. They wanted (their strategy) to come back to the *ancien régime*. The reason

is that they were not confident in the capacity of individuals to create an alternative order to the traditional one, seen as a natural one. They thought that human intervention was harmful. People will never have the capacity to make important sociopolitical decisions: they were suspicious of large scale education and of democracy itself.

Liberals on the other hand, the revolutionaries, had an optimistic faith in the capacity of people to change the traditional order whose institutions were put in question as illegitimate. They represent the party of change, of movements, of reformers. They attributed a key role to education whose task was to transform everybody into a citizen, regardless to his status. It is not birth anymore that should decide of the social positions of individuals but rather their capacities. In other terms, they promoted meritocracy over inheritance of privileges.

The subsequent revolution of 1848 transformed the political panorama with the entry of a third ideology: radicalism. It existed before 48 but only as an appendix of the liberals; after the workers revolts of 48, it gained autonomy in the political arena all over Europe.

At that time of political and social instability (the “spring of nations” with popular protests all over Europe in 1848), all three political parties came to revise their strategy: conservatives abandon their reactionary tactics, made concessions to democracy and opted for a sort of enlightened conservatism; radicals try to organise themselves into a proper political party rather than use spontaneous violence; liberals presented a centrist political agenda promoting the extension of suffrage, the extension of the role of the State in the social sphere (work legislation, health and social protection), the transformation of the country into a nation. As a matter of fact in Europe, unification processes were implemented (Italy, Germany), the welfare state was in construction and monarchies in retreat. That is to say that it was precisely this centrist agenda that was implemented everywhere and not only by liberals but also by non-liberals (Napoleon III legalised trade-unions, Bismarck invented the welfare State...). Liberal reformism became the consensus. Liberalism defined the geoculture of the modern world-economy.

2. The anti-systemic resistance

Anti-systemic movements are movements of resistance to this geoculture by groups of people excluded from the promises of liberalism. Who are they? It is possible to define two categories. Workers on the one side whose organisations began to emerge everywhere; status-groups on the other side like women movements fighting for their rights (vote, work conditions, divorce and so on...) or nationalist groups fighting for the independence of their country. The fact is that ultimately, workers movements represent mainly the defence of a precise ethnic group: that of white adult males, leaving all the other minorities with the task of specifically organising themselves- in

other words, they were not represented by the workers movements. Workers on one side and status-groups on the other side had little in common and rather conflicting relationships. For instance, workers considered that the inclusion of women in the job market was a victory of capitalists for cheaper labour.

The strategy of these movements has been a matter of debate within each movement. The debate opposed two strategies: the cultural one and the political one. The cultural strategy sustained that social change would be reached through a slow and progressive change in mentalities which should progressively lead to a transformation in the relation of powers between groups. The political strategy which actually won out in every movement, was a two steps, strategy of action: first, fight in order to obtain political power and second, act to transform the world from this position of power. More than one century after, in the late 20th century, all these movements had succeed in organising themselves and being politically represented but they did not use their institutional power to change the world.

3. Conclusion: the crisis of the modern world-system (chapter 5)

According to Wallerstein the modern World-system has been in crisis since 68. This state should last another 25 to 50 years and nobody can predict of what kind the new order will be.

A systemic crisis is not a temporary difficulty or even a set of difficulties that the system is momentarily facing and will, by one way or another, go beyond. A systemic crisis is a situation that cannot be handle in the framework of the current world-system and leads to its dissolution and replacement by another system. Crisis appear when the contradictions of the system cannot be solved anymore by a deepening of secular trends. It is when the secular trends reach their asymptotes. The period of transition that follows is a very unstable and unpredictable process, characterised by violence and social conflicts.

The current crisis results from the conjunction of two circumstances:

- a political circumstance: the 68 revolution;
- an economic circumstance: the increasing difficulty to overcome the continuing fall of profits.

The 68 event undermined the modern geoculture and the economic response to the crisis had been the rise of economic neoliberalism which in turns aliments anti-systemic movements of a new kind, the spirit of Porto Alegre.

The political crisis

After World War II, anti-systemic movements all over the world, came to power, from communist parties in the eastern Europe and Asia, social-democratic parties in Europe, nationalist parties in Latin America and liberation movements in Africa and the rest of Asia. They met the first step of their strategy (go to power and change the world) but did not make the revolutionary or substantial changes people was expecting, originating a growing disillusion. The events of 68 are the manifestation of this disillusion. It was a world revolution which directly call into question the traditional anti-systemic movements for not having fulfilled their promises and was also the occasion of violently rejecting the US hegemonic power. It was a cultural earthquake against the progressive absorption of the traditional anti-systemic movements into the large liberal centrist consensus. It reasserted radical values against racism, sexism and in favour of free love, peace and emancipation of minorities.

The revolution of 68 had been however a flash in the pan [feu de paille] in the sense that the conservative counter-offensive was rapid and successful: it replaced the centrist liberal consensus by the neoliberal ideology: TINA, “there is no alternative” to neoliberalism was the slogan of Thatcher’s government. This counter-attack was legitimised by the economic crisis that most economies were facing.

The economic crisis

In economics, the term crisis has a different meaning. By crisis we mean the moment in which the economic trend reverses, that is the moment in which growth is replaced by recession, the passage from phase A to phase B of a Kondratieff cycle. Wallerstein uses the term crisis as synonymous of recession rather. The crisis proper took place in 67-73: thanks to the Marshall plan of reconstruction after WW II, USA could upraise (resuscitate) the European economies that were now strongly competing with American firms, considerably raising the world output and pressuring profits. This pressure over profits was due to rising costs of production. Up to then, rising costs could have been contained thanks to different palliatives – the secular trends – but since the end of the 60s, the secular trends seem to reach their asymptotes and profits began to fall down.

Wallerstein distinguishes between three kind of costs:

- wages: as workers organised themselves, the average level of wages have been regularly increasing in the *longue durée* of capitalism. To counter this tendency, the solution is delocalisation. The secular trend consists in delocalisation in the periphery, that is were households are still in majority semi-proletarianised in order to lower the costs of employment. This solution is however temporary since progressively, the percentage of proletarianised household increases and the workers, even in these area, begin or will begin to organise and

fight for more decent working conditions, initiating a new process of delocalisation, elsewhere. This may hold but only to the extent that there exists sufficient areas with non-urban and semi-proletarianised households and ultimately there will be no more benefits from delocalisation.

- input costs: firms had successfully externalised different kinds of input costs in order to reduce the overall costs of their production, the costs of pollution, the costs of renewing raw materials and so on. However, the impact of production on the environment is becoming a central issue and a challenge for the twenty first century. There is a political and social pressure over firms in order that they take charge of the damages they cause to the environment: another secular trend is reaching its limits, it is the capacity of the environment to cope by itself with pollution. Intervention is now urgently required, intervention to counter the spoliation of raw materials (forests, biodiversity), intervention to contain pollution under viable limits and so on. There seems there is no way out of the progressive internalisation of these costs.

- Taxes: here again, one should look at the *longue durée*. Taxes were first implemented by States in order to assert their sovereignty, to build a bureaucracy and to pay for their army and police. Progressively, citizens asked more to the States, and with the constitution of the welfare State, taxes inexorably progressed. Now citizens legitimately expect from the States services in education, health and social security. It is difficult to imagine how this tendency could be reversed.

In the 80s, the political answer to the resulting squeeze in profits endangering the modern world-system (remember that the system is oriented to endless capital accumulation and with the reduction of profits, accumulation would slow down) was to counter all three these tendencies of rising costs: Thatcher and Reagan implemented a supply side policy consisting in a more flexible labour legislation (lowering the strength of trade-unions for instance), re-externalising costs of inputs (the protection of the environment was not on their agenda), reducing taxation (and reducing the services offered to the citizen). This was presented as the only way out of the economic crisis. However, neoliberalism did not meet the support of people and give rise to a new kind of anti-systemic movement: anti-globalisation or the people of Seattle or the spirit of Porto Alegre or alter-globalists or the movement of movements and so on...

This movement was born in Seattle on November 30, 1999, when protesters blocked delegates' entrance to WTO meetings. The protesters and Seattle riot police clashed in the streets very violently. Since this first experience, protesters all over the world meet during G8 summit, at the Davos summit, IMF and WTO submits. The main appointment of antiglobalization militants has become the World Social Forum (WSF). The first WSF was an initiative of the administration of

Porto Alegre in Brazil. The slogan of the World Social Forum was "Another World Is Possible". It was here that the WSF's Charter of Principles was adopted to provide a framework for the subsequent forums.

The spirit of Porto Alegre replaced the reformist spirit of traditional movements by new slogans like "another world is possible" (TINA does not hold anymore), "think global, act local" (awareness of global issues such as environmental issues and militance) and so on. In other words the cultural strategy has now the primacy over the political two steps process. Another crucial difference with traditional anti-systemic movements is that resistance to the neoliberal consensus is not made up of antagonist movements anymore. The spirit of Porto Alegre is also labelled as the movement of movements precisely because very distinct interests co-operate to the construction of an alternative system. What this new order will look like? This is the topic of Wallerstein's *Utopistics*. His hope is that the new world-system will be a sort of socialist system run by supranational organisations: a socialist world government.