

solved by means of the International Signals Code of 1871 – the problem of an internationally standardized “language”. Within a few years attempts to devise artificial cosmopolitan languages were to become fashionable, headed by the oddly named *Volapük* (“world-speak”) excogitated by a German in 1880. (None of these succeeded, not even the most promising contender, *Esperanto*, another product of the 1880s.) Already the labour movement was in the process of establishing a global organization which was to draw political conclusions from the growing unification of the world – the International.

Nevertheless international standardization and unification in this sense remained feeble and partial. Indeed, to some extent the rise of new nations and new cultures with a democratic base, i.e. using separate languages rather than the international idioms of educated minorities, made it more difficult, or rather, more circuitous. Writers of European or global reputation had to become so through translation. And while it is significant that by 1875 readers of German, French, Swedish, Dutch, Spanish, Danish, Italian, Portuguese, Czech and Hungarian were able to enjoy some or all of Dickens’s works (as Bulgarian, Russian, Finnish, Serbo-Croat, Armenian and Yiddish ones were to before the end of the century), it is equally significant that this process implied an increasing linguistic division. Whatever the long-term prospects, it was accepted by contemporary liberal observers that, in the short and medium term, development proceeded by the formation of different and rival nations. The most that could be hoped was that these would embody the same type of institutions, economy and beliefs. The unity of the world implied division. The world system of capitalism was a structure of rival “national economies”. The world triumph of liberalism rested on its conversion of all peoples, at least among those regarded as “civilized”. No doubt the champions of progress in the third quarter of the nineteenth century were confident enough that this would happen sooner or later. But their confidence rested on insecure foundations.

They were indeed on safe ground in pointing to the ever-tightening network of global communications, whose most tangible result was a vast increase in the flow of international exchanges of goods and men – trade and migration. Yet even in the most plainly international field of business, global unification was not an unqualified advantage. For if it created a world economy, it was one in which all parts were so dependent on each other that a pull on one thread would inevitably set all others into movement. [...]

All these developments affected only that sector of the world which was already drawn into the international economy. Since vast areas and populations – virtually all of Asia and Africa, most of Latin America, and quite substantial parts even of Europe – still existed outside any economies but those of purely local exchange and remote from port, railway and telegraph, we ought not to exaggerate the unification of the world achieved between 1848 and 1875. After all, as an eminent chronicler of the time pointed out, “The *world economy* is only at its beginning”; but, as he also added, correctly, “even these beginnings allow us to guess at its future importance, inasmuch as the present stage already represents a truly amazing transformation in the productivity of humanity”. [...]

## 8 The Rise and Future Demise of the World Capitalist System

*Immanuel Wallerstein*

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 mini-system 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 mini-systems 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” 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.

Leaving aside the now defunct mini-systems, 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 pre-modern times, such as China, Egypt, Rome (each at appropriate periods 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”.

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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 has been explained elsewhere. 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 pseudo-problems, 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 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.

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 structure 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".

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. [ . . . ]

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 rela-

tionship 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"), share-cropping, 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.

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 land-mass 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.)

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 semi-peripheral 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 share-cropping as the mode of labor control and little export to other areas.

The three structural positions in a world-economy - core, periphery, and semi-periphery - had become stabilized by about 1640. How certain areas became one and not the other is a long story. 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" 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.

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. . . .).

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 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 "semi-periphery" 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. There are two reasons for this. In peripheral 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 semi-periphery. 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 semi-periphery 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 significant 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 pre-modern 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 semi-peripheral ones.

This semi-periphery 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 semi-periphery. 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.

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, 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. 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 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.

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 market 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. [...]