

From Immanuel Wallerstein, *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. New York: Academic Press, 1976, pp. 229-233.

The Modern World-System

Immanuel Wallerstein

In order to describe the origins and initial workings of a world system, I have had to argue a certain conception of a world-system. A world-system is a social system, one that has boundaries, structures, member groups, rules of legitimation, and coherence. 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 remold it to its advantage. It has the characteristics of an organism, in that it has a life-span over which its characteristics change in some respects and remain stable in others. One can define its structures as being at different times strong or weak in terms of the internal logic of its functioning.

What characterizes a social system in my view is the fact that life within it is largely self-contained, and that the dynamics of its development are largely internal. The reader may feel that the use of the term "largely" is a case of academic weaseling. I admit I cannot quantify it. Probably no one ever will be able to do so, as the definition is based on a counterfactual hypothesis: If the system, for any reason, were to be cut off from all external forces (which virtually never happens), the definition implies that the system would continue to function substantially in the same manner. Again, of course, substantially is difficult to convert into hard operational criteria. Nonetheless the point is an important one and key to many parts of the empirical analyses of this book. Perhaps we should think of self-containment as a theoretical absolute, a sort of social vacuum, rarely visible and even more implausible to create artificially, but still and all a socially-real asymptote, the distance from which is somehow measurable.

Using such a criterion, it is contended here that most entities usually described as social systems --"tribes," communities, nation-states--are not in fact total systems. Indeed, on the contrary, we are arguing that the only real social systems are, on the one hand, those relatively small, highly autonomous subsistence economies not part of some regular tribute-demanding system and, on the other hand, world-systems. These latter are to be sure distinguished from the former because they are relatively large; that is, they are in common parlance "worlds." More precisely, however, they are defined by the fact that their self-containment as an economic-material entity is based on

extensive division of labor and that they contain within them a multiplicity of cultures.

It is further argued that thus far there have only existed two varieties of such world-systems: world-empires, in which there is a single political system over most of the area, however attenuated the degree of its effective control; and those systems in which such a single political system does not exist over all, or virtually all, of the space. For convenience and for want of a better term, we are using the term "world-economy" to describe the latter.

Finally, we have argued that prior to the modern era, world-economies were highly unstable structures which tended either to be converted into empires or to disintegrate. It is the peculiarity of the modern world-system that a world-economy has survived for 500 years and yet has not come to be transformed into a world-empire--a peculiarity that is the secret of its strength.

This peculiarity is the political side of the form of economic organization called capitalism. Capitalism has been able to flourish precisely because the world-economy has had within its bounds not one but a multiplicity of political systems.

I am not here arguing the classic case of capitalist ideology that capitalism is a system based on the noninterference of the state in economic affairs. Quite the contrary! Capitalism is based on the constant absorption of economic loss by political entities, while economic gain is distributed to "private" hands. What I am arguing rather is that capitalism as an economic mode is based on the fact that the economic factors operate within an arena larger than that which any political entity can totally control. This gives capitalists a freedom of maneuver that is structurally based. It has made possible the constant economic expansion of the world-system, albeit a very skewed distribution of its rewards. The only alternative world-system that could maintain a high level of productivity and change the system of distribution would involve the reintegration of the levels of political and economic decision-making. This would constitute a third possible form of world-system, a socialist world government. This is not a form that presently exists, and it was not even remotely conceivable in the sixteenth century.

The historical reasons why the European world-economy came into existence in the sixteenth century and resisted attempts to transform it into an empire have been expounded at length. We shall not review them here. It should however be noted that the size of a world-economy is a function of the state of technology, and in particular of the possibilities of transport and communication within its bounds. Since this is a constantly changing phenomenon, not always for the better, the boundaries of a world-economy are ever fluid.

We have defined a world-system as one in which there is extensive division of labor. This division is not merely functional--that is, occupational--but geographical. That is to say, the range of economic tasks is not evenly distributed throughout the world-system. In part this is the consequence of ecological considerations, to be sure. But for the most part, it is a function of the social organization of work, one which magnifies and legitimizes the ability of some groups within the system to exploit the labor of others, that is, to receive a larger share of the surplus.

While, in an empire, the political structure tends to link culture with occupation, in a

world-economy the political structure tends to link culture with spatial location. The reason is that in a world-economy the first point of political pressure available to groups is the local (national) state structure. Cultural homogenization tends to serve the interests of key groups and the pressures build up to create cultural-national identities.

This is particularly the case in the advantaged areas of the world-economy--what we have called the core-states. In such states, the creation of a strong state machinery coupled with a national culture, a phenomenon often referred to as integration, serves both as a mechanism to protect disparities that have arisen within the world-system, and as an ideological mask and justification for the maintenance of these disparities.

World-economies then are divided into core-states and peripheral areas. I do not say peripheral states because one characteristic of a peripheral area is that the indigenous state is weak, ranging from its nonexistence (that is, a colonial situation) to one with a low degree of autonomy (that is, a neo-colonial situation).

There are also semiperipheral areas which are in between the core and the periphery on a series of dimensions, such as the complexity of economic activities, strength of the state machinery, cultural integrity, etc. Some of these areas had been core-areas of earlier versions of a given world-economy. Some had been peripheral areas that were later promoted, so to speak, as a result of the changing geopolitics of an expanding world-economy.

The semiperiphery, however, is not an artifice of statistical cutting points, nor is it a residual category. The semiperiphery is a necessary structural element in a world-economy. These areas play a role parallel to that played, *mutatis mutandis*, by middle trading groups in an empire. They are collection points of vital skills that are often poetically unpopular. These middle areas (like middle groups in an empire) partially deflect the political pressures which groups primarily located in peripheral areas might otherwise direct against core-states and the groups which operate within and through their state machineries. On the other hand, the interests primarily located in the semiperiphery are located outside the political arena of the core-states, and find it difficult to pursue the ends in political coalitions that might be open to them were they in the same political arena.

The division of a world-economy involves a hierarchy of occupational tasks, in which tasks requiring higher levels of skill and greater capitalization are reserved for higher-ranking areas. Since a capitalist world-economy essentially rewards accumulated capital, including human capital, at a higher rate than "raw" labor power, the geographical maldistribution of these occupational skills involves a strong trend toward self-maintenance. The forces of the marketplace reinforce them rather than undermine them. And the absence of a central political mechanism for the world-economy makes it very difficult to intrude counteracting forces to the maldistribution of rewards.

Hence, the ongoing process of a world-economy tends to expand the economic and social gaps among its varying areas in the very process of its development. One factor that tends to mask this fact is that the process of development of a world-economy brings about technological advances

which make it possible to expand the boundaries of a world-economy. In this case, particular regions of the world may change their structural role in the world-economy, to their advantage, even though the disparity of reward between different sectors of the world-economy as a whole may be simultaneously widening. It is in order to observe this crucial phenomenon clearly that we have insisted on the distinction between a peripheral area of a given world-economy and the external arena of the world-economy. The external arena of one century often becomes the periphery of the next--or its semiperiphery. But then too core-states can become semiperipheral and semiperipheral ones peripheral.

While the advantages of the core-states have not ceased to expand throughout the history of the modern world-system, the ability of a particular state to remain in the core sector is not beyond challenge. The hounds are ever to the hares for the position of top dog. Indeed, it may well be that in this kind of system it is not structurally possible to avoid, over a long period of historical time, a circulation of the elites in the sense that the particular country that is dominant at a given time tends to be replaced in this role sooner or later by another country.

We have insisted that the modern world-economy is, and only can be, a capitalist world-economy. It is for this reason that we have rejected the appellation of "feudalism" for the various forms of capitalist agriculture based on coerced labor which grow up in a world-economy. Furthermore, although this has not been discussed in this volume, it is for this same reason that we will, in future volumes, regard with great circumspection and prudence the claim that there exist in the twentieth century socialist national economies within the framework of the world-economy (as opposed to socialist movements controlling certain state-machineries within the world-economy).

If world-systems are the only real social systems (other than truly isolated subsistence economies), then it must follow that the emergence, consolidation, and political roles of classes and status groups must be appreciated as elements of this world system. And in turn it follows that one of the key elements in analyzing a class or a status-group is not only the state of its self-consciousness but the geographical scope of its self-definition.

Classes always exist potentially (*an sich*). The issue is under what conditions they become class-conscious (*fur sich*), that is, operate as a group in the politico-economic arenas and even to some extent as a cultural entity. Such self-consciousness is a function of conflict situations. But for upper strata open conflict, and hence overt consciousness, is always *faute de mieux*. To the extent that class boundaries are not made explicit, to that extent it is more likely that privileges be maintained.

Since in conflict situations, multiple factions tend to reduce to two by virtue of the forging of alliances, it is by definition not possible to have three or more (conscious) classes. There obviously can be a multitude of occupational interest groups which may organize themselves to operate within the social structure. But such groups are really one variety of status-groups, and indeed often overlap heavily with other kinds of status-groups such as those defined by ethnic, linguistic, or religious criteria.

To say that there cannot be three or more classes is not however to say that there are always two. There may be none, though this is rare and transitional. There may be one, and this is most common. There may be two, and this is most explosive.

We say there may be only one class, although we have also said that classes only actually exist in conflict situations, and conflicts presume two sides. There is no contradiction here. For a conflict may be defined as being between one class, which conceives of itself as the universal class, and all the other strata. This has in fact been the usual situation in the modern world-system. The capitalist class (the bourgeoisie) has claimed to be the universal class and sought to organize political life to pursue its objectives against two opponents. On the one hand, there were those who spoke for the maintenance of traditional rank distinctions despite the fact that these ranks might have lost their original correlation with economic function. Such elements preferred to define the social structure as a non-class structure. It was to counter this ideology that the bourgeoisie came to operate as a class conscious of itself. . . .

The European world-economy of the sixteenth century tended overall to be a one-class system. It was the dynamic forces profiting from economic expansion and the capitalist system, especially those in the core-areas, who tended to be class-conscious, that is to operate within the political arena as a group defined primarily by their common role in the economy. This common role was in fact defined somewhat broadly from a twentieth-century perspective. It included persons who were farmers, merchants, and industrialists. Individual entrepreneurs often moved back and forth between these activities in any case, or combined them. The crucial distinction was between these men, whatever their occupation, principally oriented to obtaining profit in the world market, and the others not so oriented.

The "others" fought back in terms of their status privileges--those of the traditional aristocracy, those which small farmers had derived from the feudal system, those resulting from guild monopolies that were outmoded. Under the cover of cultural similarities, one can often weld strange alliances. Those strange alliances can take a very activist form and force the political centers to take account of them. We pointed to such instances in our discussion of France. Or they can take a politically passive form that serves well the needs of the dominant forces in the world-system. The triumph of Polish Catholicism as a cultural force was a case in point.

The details of the canvas are filled in with the panoply of multiple forms of status-groups, their particular strengths and accents. But the grand sweep is in terms of the process of class formation. And in this regard, the sixteenth century was indecisive. The capitalist strata formed a class that survived and gained *droit de cite*, but did not yet triumph in the political arena.

The evolution of the state machineries reflected precisely this uncertainty. Strong states serve the interests of some groups and hurt those of others. From however the standpoint of the world-system as a whole, if there is to be a multitude of political entities (that is, if the system is not a world-empire), then it cannot be the case that all these entities be equally strong. For if they were, they would be in the position of blocking the effective operation of transnational economic entities whose locus were in another state. And obviously certain combinations of these groups control the state. It would then follow that the world division of labor would be impeded, the

world-economy decline, and eventually the world-system fall apart.

It also cannot be that no state machinery is strong. For in such a case, the capitalist strata would have no mechanisms to protect their interests, guaranteeing their property rights, assuring various monopolies, spreading losses among the larger population, etc.

It follows then that the world-economy develops a pattern where state structures are relatively strong in the core areas and relatively weak in the periphery. Which areas play which roles is in many ways accidental. What is necessary is that in some areas the state machinery be far stronger than in others.

What do we mean by a strong state-machinery? We mean strength vis-a-vis other states within the world-economy including other core-states, and strong vis-a-vis local political units within the boundaries of the state. In effect, we mean a sovereignty that is defacto as well as de jure. We also mean a state that is strong vis-a-vis any particular social group within the state. Obviously, such groups vary in the amount of pressure they can bring to bear upon the state. And obviously certain combinations of these groups control the state. It is not that the state is a neutral arbiter. But the state is more than a simple vector of given forces, if only because many of these forces are situated in more than one state or are defined in terms that have little correlation with state boundaries.

A strong state then is a partially autonomous entity in the sense that it has a margin of action available to it wherein it reflects the compromises of multiple interests, even if the bounds of these margins are set by the existence of some groups of primordial strength. To be a partially autonomous entity, there must be a group of people whose direct interests are served by such an entity: state managers and a state bureaucracy.

Such groups emerge within the framework of a capitalist world-economy because a strong state is the best choice between difficult alternatives for the two groups that are strongest in political, economic, and military terms: the emergent capitalist strata, and the old aristocratic hierarchies.

For the former, the strong state in the form of the "absolute monarchies" was a prime customer, a guardian against local and international brigandage, a mode of social legitimation, a preemptive protection against the creation of strong state barriers elsewhere. For the latter, the strong state represented a brake on these same capitalist strata, an upholder of status conventions, a maintainer of order, a promoter of luxury.

No doubt both nobles and bourgeois found the state machineries to be a burdensome drain of funds, and a meddlesome unproductive bureaucracy. But what options did they have? Nonetheless they were always restive and the immediate politics of the world-system was made up of the pushes and pulls resulting from the efforts of both groups to insulate themselves from what seemed to them the negative effects of the state machinery.

A state machinery involves a tipping mechanism. There is a point where strength creates more strength. The tax revenue enables the state to have a larger and more efficient civil bureaucracy

and army which in turn leads to greater tax revenue--a process that continues in spiral form. The tipping mechanism works in other direction too--weakness leading to greater weakness. In between these two tipping points lies the politics of state-creation. It is in this arena that the skills of particular managerial groups make a difference. And it is because of the two tipping mechanisms that at certain points a small gap in the world-system can very rapidly become a larger one.

In those states in which the state machinery is weak, the state managers do not play the role of coordinating a complex industrial-commercial-agricultural mechanism. Rather they simply become one set of landlords amidst others, with little claim to legitimate authority over the whole.

These tend to be called traditional rulers. The political struggle is often phrased in terms of tradition versus change. This is of course a grossly misleading and ideological terminology. It may in fact be taken as a general sociological principle that, at any given point of time, what is thought to be traditional is of more recent origin than people generally imagine it to be, and represents primarily the conservative instincts of some group threatened with declining social status. Indeed, there seems to be nothing which emerges and evolves as quickly as a "tradition" when the need presents itself.

In a one-class system, the "traditional" is that in the name of which the "others" fight the class-conscious group. If they can encrust their values by legitimating them widely, even better by enacting them into legislative barriers, they thereby change the system in a way favorable to them.

The traditionalists may win in some states, but if a world-economy is to survive, they must lose more or less in the others. Furthermore, the gain in one region is the counterpart of the loss in another.

This is not quite a zero-sum game, but it is also inconceivable that all elements in a capitalist world-economy shift their values in a given direction simultaneously. The social system is built on having a multiplicity of value systems within it, reflecting the specific functions groups and areas play in the world division of labor.

We have not exhausted here the theoretical problems relevant to the functioning of a world-economy. We have tried only to speak to those illustrated by the early period of the world-economy in creation, to wit, sixteenth-century Europe. Many other problems emerged at later stages and will be treated, both empirically and theoretically, in later volumes.

In the sixteenth century, Europe was like a bucking bronco. The attempt of some groups to establish a world-economy based on a particular division of labor, to create national states in the core areas as politico-economic guarantors of this system, and to get the workers to pay not only the profits but the costs of maintaining the system was not easy. It was to Europe's credit that it was done, since without the thrust of the sixteenth century the modern world would not have been born and, for all its cruelties, it is better that it was born than that it had not been.

It is also to Europe's credit that it was not easy, and particularly that it was not easy because the people who paid the short-run costs screamed lustily at the unfairness of it all. The peasants and workers in Poland and England and Brazil and Mexico were all rambunctious in their various ways. As R. H. Tawney says of the agrarian disturbances of sixteenth-century England: "Such movements are a proof of blood and sinew and of a high and gallant spirit. . . . Happy the nation whose people has not forgotten how to rebel."

The mark of the modern world is the imagination of its profiteers and the counter-assertiveness of the oppressed. Exploitation and the refusal to accept exploitation as either inevitable or just constitute the continuing antinomy of the modern era, joined together in a dialectic which was far from reached its climax in the twentieth century.

World Systems Theory

by Carlos A. Martínez-Vela¹

1. The Approach

World-system theory is a macrosociological perspective that seeks to explain the dynamics of the “capitalist world economy” as a “total social system”. Its first major articulation, and classic example of this approach, is associated with Immanuel Wallerstein, who in 1974 published what is regarded as a seminal paper, *The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis*. In 1976 Wallerstein published *The Modern World System I: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. This is Wallerstein’s landmark contribution to sociological and historical thought and it triggered numerous reactions, and inspired many others to build on his ideas. Because of the main concepts and intellectual building blocks of world-system theory –which will be outlined later–, it has had a major impact and perhaps its more warm reception in the developing world.

Where is world-system theory positioned in the intellectual world? It falls at the same time, into the fields of historical sociology and economic history. In addition, because of its emphasis on development and unequal opportunities across nations, it has been embraced by development theorists and practitioners. This combination makes the world-system project both a political and an intellectual endeavor. Wallerstein’s approach is one of praxis, in which theory and practice are closely interrelated, and the objective of intellectual activity is to create knowledge that uncovers hidden structures and allows oneself to act upon the world and change it. “Man’s ability to participate intelligently in the evolution of his own system is dependent on his ability to perceive the whole” (p. 10).

World-system research is largely qualitative, although early on Wallerstein rejected the distinction between nomothetic and idiographic methodologies to understand the world. For Wallerstein, there is an objective world which can be quantitatively understood, but it is, no matter for how long it has existed, a product of history. But to the most part, his methods are associated with history and with interpretive sociology. His work is methodologically somewhere in between Marx and Weber, both of whom were important inspirations for his own work.

1. Background

1.1 Immanuel Wallerstein

World-system theory has been closely associated with Immanuel Wallerstein, and understanding the intellectual context in which this body of knowledge is positioned, means also understanding Wallerstein, so let us begin by talking about him.

¹ I greatly benefited from Goldfrank (2000) in structuring Section 1 of this essay.

Immanuel Wallerstein was born in 1930 in New York, where he grew up and did all his studies. He entered Columbia University, where he obtained his BS, MA and PhD degrees. He remained a faculty member in Columbia's Department of Sociology from 1958 to 1971. His passage through Columbia occurred at a time when "[Columbia's] cosmopolitanism and rebelliousness stood in sharp contrast to the genteel established liberalism of Harvard and Yale. His primary mentor was C. Wright Mills, from whom, according to Goldfrank, Wallerstein learned his historical sensitivity, his ambition to understand macro-structures, and his rejection of both liberalism and, to a lesser degree, Marxism. While being a faculty Member at Columbia, Wallerstein got interested in Africa and along the way, he spent time in Paris. In Paris he was exposed to two major intellectual influences, the *Annales* group of historians, and also to what by the time were radical political ideas. Paris was the center for political and intellectual radicalism among Africans, Asians and Latin Americans, and the locus of the major challenges to Anglo-American liberalism and empiricism. In Africa he did field work that exposed him to the Third World, and he wrote his dissertation on the processes of national formation in West Africa. Here, Goldfrank tells us, he started to build his world view of "creative self-destruction", of rise and demise. His exposure to the third world had a great impact on his work. In his introduction to *The Modern World System*, Wallerstein, in a revealing statement, says that "In general, in a deep conflict, the eyes of the downtrodden are more acute about the reality of the present. For it is in their interest to perceive correctly in order to expose the hypocrisies of the rulers. They have less interest in ideological deflection." (p. 4).

1.2 Aims

Wallerstein's work developed at a time when the dominant approach to understanding development, modernization theory, was under attack from many fronts, and he followed suit. He himself acknowledges that his aim was to create an alternative explanation (Wallerstein, 2000). He aimed at achieving "a clear conceptual break with theories of 'modernization' and thus provide a new theoretical paradigm to guide our investigations of the emergence and development of capitalism, industrialism, and national states" (Skocpol, 1977, p. 1075). Criticisms to modernization include (1) the reification of the nation-state as the sole unit of analysis, (2) assumption that all countries can follow only a single path of evolutionary development, (3) disregard of the world-historical development of transnational structures that constrain local and national development, (4) explaining in terms of ahistorical ideal types of "tradition" versus "modernity", which are elaborated and applied to national cases. In reacting to modernization theory, Wallerstein outlined a research agenda with five major subjects: the functioning of the capitalist world-economy as a system, the how and why of its origins, its relations with non-capitalist structures in previous centuries, comparative study of alternative modes of production, and the ongoing transition to socialism (Goldfrank, 2000; Wallerstein, 1979).

1.3 Building Blocks

There are three major intellectual building blocks of world-system theory, as conceived by Wallerstein: the *Annales* school, Marx, and dependence theory. These building blocks

are associated with Wallerstein's life experience and exposure to various issues, theories, and situations.

World-system theory owes to the *Annales* school, whose major representative is Fernand Braudel, its historical approach. Wallerstein got from Braudel's his insistence on the long term (*la longue durée*). He also learned to focus on geo-ecological regions as units of analysis (think of Braudel's *The Mediterranean*), attention to rural history, and reliance on empirical materials from Braudel. The impact of the *Annales* is at the general methodological level.

From Marx, Wallerstein learned that (1) the fundamental reality is social conflict among materially based human groups, (2) the concern with a relevant totality, (3) the transitory nature of social forms and theories about them, (4) the centrality of the accumulation process and competitive class struggles that result from it, (5) a dialectical sense of motion through conflict and contradiction. Wallerstein's ambition has been to revise Marxism itself.

World-system theory is in many ways an adaptation of dependency theory (Chirot and Hall, 1982). Wallerstein draws heavily from dependency theory, a neo-Marxist explanation of development processes, popular in the developing world, and among whose figures are Fernando Henrique Cardoso, a Brazilian. Dependency theory focuses on understanding the "periphery" by looking at core-periphery relations, and it has flourished in peripheral regions like Latin America. It is from a dependency theory perspective that many contemporary critiques to global capitalism come from.

Other important influences in Wallerstein's work, still present in contemporary world-system research, are Karl Polanyi and Joseph Schumpeter. From the latter comes world-system interest in business cycles, and from the former, the notion of three basic modes of economic organization: reciprocal, redistributive, and market modes. These are analogous to Wallerstein's concepts of mini-systems, world-empires, and world-economies.

3. What is a world-system?

For Wallerstein, "a world-system is a social system, one that has boundaries, structures, member groups, rules of legitimation, and coherence. 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 remold it to its advantage. It has the characteristics of an organism, in that it has a life-span over which its characteristics change in some respects and remain stable in others... Life within it is largely self-contained, and the dynamics of its development are largely internal" (Wallerstein, p. 347). A world-system is what Wallerstein terms a "world-economy", integrated through the market rather than a political center, in which two or more regions are interdependent with respect to necessities like food, fuel, and protection, and two or more polities compete for domination without the emergence of one single center forever (Goldfrank, 2000).

In his own first definition, Wallerstein (1974) said that a world-system is a "multicultural territorial *division of labor* in which the production and exchange of basic goods and raw materials is necessary for the everyday life of its inhabitants." This division of labor 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*. These are geographically and culturally different, one focusing on labor-intensive, and the other on capital-intensive production. (Goldfrank, 2000). The core-periphery relationship is structural. Semi-peripheral states act as a buffer zone between core and periphery, and has a mix of the kinds of activities and institutions that exist on them (Skocpol, 1977).

Among the most important structures of the current world-system is a power hierarchy between *core* and *periphery*, in which powerful and wealthy "core" societies dominate and exploit weak and poor peripheral societies. *Technology* is a central factor in the positioning of a region in the core or the periphery. Advanced or developed countries are the core, and the less developed are in the periphery. Peripheral countries are structurally constrained to experience a kind of development that reproduces their subordinate status (Chase-Dunn and Grimes, (1995). The differential strength of the multiple states within the system is crucial to maintain the system as a whole, because strong states reinforce and increase the differential flow of surplus to the core zone (Skocpol, 1977). This is what Wallerstein called *unequal exchange*, the systematic transfer of surplus from semi-proletarian sectors in the periphery to the high-technology, industrialized core (Goldfrank, 2000). This leads to a process of *capital accumulation* at a global scale, and necessarily involves the appropriation and transformation of peripheral surplus.

On the political side of the world-system a few concepts deem highlighting. For Wallerstein, nation-states are variables, elements within the system. States are used by class forces to pursue their interest, in the case of core countries. *Imperialism* refers to the domination of weak peripheral regions by strong core states. *Hegemony* refers to the existence of one core state temporarily outstripping the rest. Hegemonic powers maintain a stable balance of power and enforce free trade as long as it is to their advantage. However, hegemony is temporary due to class struggles and the diffusion of technical advantages. Finally, there is a global *class struggle*.

The current world-economy is characterized by regular cyclical rhythms, which provide the basis of Wallerstein's periodization of modern history (Goldfrank, 2000). After our current stage, Wallerstein envisions the emergence of a socialist world-government, which is the only-alternative world-system that could maintain a high level of productivity and change the distribution, by integrating the levels of political and economic decision-making.

4. Research, Applications, and Prospects

The current hub of research on world-systems is SUNY Binghamton, at the Fernand Braudel Center for the Study of Economies, Historical Systems and Civilizations. Although some researchers pursue this approach around the country, it has had its greatest impact among intellectuals in the third-world, where Wallerstein is regarded a

first-rate intellectual and contributor to the understanding of world-dynamics. Most publications take place in the *Journal of World Systems Research*, and in the *Review* published by the Fernand Braudel Center. Within the American Sociological Association, there is a chapter on the Political Economy of the World System. In addition, Wallerstein was president of the International Sociological Association between 1994 and 1998. Although his attention has moved more towards the philosophy of the social sciences, Wallerstein continues to be the major figure in world-system research.

After legitimizing historical sociology for its own sake, world-system research has inspired numerous research programs, with perhaps the most notorious one to date being the study of long-term business cycles. In addition, it is an approach widely used to talk about development dynamics and to understand the relationships between the first world and the third world. As an interdisciplinary theory, it has also drawn the attention of scholars from several disciplines in the social sciences: history, anthropology, cultural studies, economic history, development studies.

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THE DEVELOPMENT OF A WORLD ECONOMIC SYSTEM

A Summary of Immanuel Wallerstein, *The Modern World System: Capitalist Agriculture and the Origins of the European World Economy in the Sixteenth Century* (New York: Academic Press, 1974)

In his book, *The Modern World System: Capitalist Agriculture and the Origins of the European World Economy in the Sixteenth Century*, Immanuel Wallerstein develops a theoretical framework to understand the historical changes involved in the rise of the modern world. The modern world system, essentially capitalist in nature, followed the crisis of the feudal system and helps explain the rise of Western Europe to world supremacy between 1450 and 1670. According to Wallerstein, his theory makes possible a comprehensive understanding of the external and internal manifestations of the modernization process during this period and makes possible analytically sound comparisons between different parts of the world.

MEDIEVAL PRELUDE

Before the sixteenth century, when Western Europe embarked on a path of capitalist development, "feudalism" dominated West European society. Between 1150-1300, both population as well as commerce expanded within the confines of the feudal system. However, from 1300-1450, this expansion ceased, creating a severe economic crisis. According to Wallerstein, the feudal crisis was probably precipitated by the interaction of the following factors:

Agricultural production fell or remained stagnant. This meant that the burden of peasant producers increased as the ruling class expanded.

The economic cycle of the feudal economy had reached its optimum level; afterwards the economy began to shrink.

A shift of climatological conditions decreased agricultural productivity and contributed to an increase in epidemics within the population.

THE NEW EUROPEAN DIVISION OF LABOR

Wallerstein argues that Europe moved towards the establishment of a capitalist world economy in order to ensure continued economic growth. However, this entailed the expansion of the geographical size of the world in question, the development of different modes of labor control

and the creation of relatively strong state machineries in the states of Western Europe. In response to the feudal crisis, by the late fifteenth and early sixteenth centuries, the world economic system emerged. This was the first time that an economic system encompassed much of the world with links that superseded national or other political boundaries. The new world economy differed from earlier empire systems because it was not a single political unit. Empires depended upon a system of government which, through commercial monopolies combined with the use of force, directed the flow of economic goods from the periphery to the center. Empires maintained specific political boundaries, within which they maintained control through an extensive bureaucracy and a standing army. Only the techniques of modern capitalism enabled the modern world economy, unlike earlier attempts, to extend beyond the political boundaries of any one empire.

The new capitalist world system was based on an international division of labor that determined relationships between different regions as well as the types of labor conditions within each region. In this model, the type of political system was also directly related to each region's placement within the world economy. As a basis for comparison, Wallerstein proposes four different categories, core, semi-periphery, periphery, and external, into which all regions of the world can be placed. The categories describe each region's relative position within the world economy as well as certain internal political and economic characteristics.

---The Core

The core regions benefited the most from the capitalist world economy. For the period under discussion, much of northwestern Europe (England, France, Holland) developed as the first core region. Politically, the states within this part of Europe developed strong central governments, extensive bureaucracies, and large mercenary armies. This permitted the local bourgeoisie to obtain control over international commerce and extract capital surpluses from this trade for their own benefit. As the rural population expanded, the small but increasing number of landless wage earners provided labor for farms and manufacturing activities. The switch from feudal obligations to money rents in the aftermath of the feudal crisis encouraged the rise of independent or yeoman farmers but squeezed out many other peasants off the land. These impoverished peasants often moved to the cities, providing cheap labor essential for the growth in urban manufacturing. Agricultural productivity increased with the growing predominance of the commercially-oriented independent farmer, the rise of pastoralism, and improved farm technology.

---The Periphery

On the other end of the scale lay the peripheral zones. These areas lacked strong central governments or were controlled by other states, exported raw materials to the core, and relied on coercive labor practices. The core expropriated much of the capital surplus generated by the periphery through unequal trade relations. Two areas, Eastern Europe (especially Poland) and Latin America, exhibited characteristics of peripheral regions. In Poland, kings lost power to the

nobility as the region became a prime exporter of wheat to the rest of Europe. To gain sufficient cheap and easily controlled labor, landlords forced rural workers into a "second serfdom" on their commercial estates. In Latin America, the Spanish and Portuguese conquests destroyed indigenous authority structures and replaced them with weak bureaucracies under the control of these European states. Powerful local landlords of Hispanic origin became aristocratic capitalist farmers. Enslavement of the native populations, the importation of African slaves, and the coercive labor practices such as the *encomienda* and forced mine labor made possible the export of cheap raw materials to Europe. Labor systems in both peripheral areas differed from earlier forms in medieval Europe in that they were established to produce goods for a capitalist world economy and not merely for internal consumption. Furthermore, the aristocracy both in Eastern Europe and Latin America grew wealthy from their relationship with the world economy and could draw on the strength of a central core region to maintain control.

---The Semi-Periphery

Between the two extremes lie the semi-peripheries. These areas represented either core regions in decline or peripheries attempting to improve their relative position in the world economic system. They often also served as buffers between the core and the peripheries. As such, semi-peripheries exhibited tensions between the central government and a strong local landed class. Good examples of declining cores that became semi-peripheries during the period under study are Portugal and Spain. Other semi-peripheries at this time were Italy, southern Germany, and southern France. Economically, these regions retained limited but declining access to international banking and the production of high-cost high-quality manufactured goods. Unlike the core, however, they failed to predominate in international trade and thus did not benefit to the same extent as the core. With a weak capitalist rural economy, landlords in semi-peripheries resorted to sharecropping. This lessened the risk of crop failure for landowners, and made it possible at the same time to enjoy profits from the land as well as the prestige that went with landownership.

According to Wallerstein, the semi-peripheries were exploited by the core but, as in the case of the American empires of Spain and Portugal, often were exploiters of peripheries themselves. Spain, for example, imported silver and gold from its American colonies, obtained largely through coercive labor practices, but most of this specie went to paying for manufactured goods from core countries such as England and France rather than encouraging the formation of a domestic manufacturing sector.

---External Areas

These areas maintained their own economic systems and, for the most part, managed to remain outside the modern world economy. Russia fits this case well. Unlike Poland, Russia's wheat served primarily to supply its internal market. It traded with Asia as well as Europe; internal commerce remained more important than trade with outside regions. Also, the considerable

power of the Russian state helped regulate the economy and limited foreign commercial influence.

STAGES OF GROWTH

The development of the modern world economy lasted centuries, during which time different regions changed their relative position within this system. Wallerstein divides the history of the capitalist world system into four stages, which for our purposes can be simplified and divided into two basic phases:

Stages 1 and 2:

This period follows the rise of the modern world system between 1450-1670. When the Hapsburg Empire failed to convert the emerging world economy to a world empire, all the existing western European states attempted to strengthen their respective positions within the new world system. In order to accomplish this move, most of the states consolidated their internal political economic and social resources by:

- a) Bureaucratization. This process aided the limited but growing power of the king. By increasing the state power to collect taxes, the kings eventually increased state power to borrow money and thereby further expand the state bureaucracy. At the end of this stage, the monarch had become the supreme power and instituted what has been called "absolute monarchy."
- b) Homogenization of the local population. To underline state involvement in the new capitalist system and encourage the rise of indigenous capitalist groups, many core states expelled minorities. These independent capitalist groups, without deep rooted local ties, were perceived as threats to the development of strong core states. The Jews in England, Spain, and France were all expelled with the rise of absolute monarchy. Similarly, Protestants, who were often the merchants in Catholic countries, found they were targets of the Catholic Church. The Catholic Church, a trans-national institution, found the development of capitalism and the strengthening of the state threatening.
- c) Expansion of the militia to support the centralized monarchy and to protect the new state from invasions.
- d) The concept of absolutism introduced at this time related to the relative independence of the monarch from previously established laws. This distinction freed the king from prior feudal laws.
- e) Diversification of economic activities to maximize profits and strengthen the position of the local bourgeoisie.

By 1640, northwestern European states secured their position as core states in the emerging economy. Spain and northern Italy declined to semi-peripheral status, while northeastern Europe

and Iberian America became peripheral zones. England gained ground steadily toward core status.

During this period, workers in Europe experienced a dramatic fall in wages. This wage fall characterized most European centers of capitalism with the exception of cities in north and central Italy and Flanders. The reason for this exception was that these cities were relatively older centers of trade, and the workers formed strong politico-economic groups. The resistance of workers broke down the ability of employers to accumulate the large surplus necessary for the advancement of capitalism. Meanwhile, employers in other parts of Europe profited from the wage lag by accumulating large surpluses for investment.

Long-distance trade with the Americas and the East provided enormous profits, in excess of 200%-300%, for a small merchant elite. Smaller merchants could not hope to enter this profiteering without substantial capital and some state help. Eventually, the profits of the trans-Atlantic trade filtered down and strengthened the merchants' hold over European agriculture and industries. Merchants with sufficient power accumulated profits through the purchase of goods prior to their production. By controlling the costs of finished products, merchants could extend their profit margin and control the internal markets. This powerful merchant class provided the capital necessary for the industrialization of European core states.

Stages 3 and 4 (18th century and beyond):

Industrial rather than agricultural capitalism represented this era. With the shifting emphasis on industrial production, the following reactions characterized this period.

- a) European states participated in active exploration for the exploitation of new markets.
- b) Competitive world systems such as the Indian Ocean system were absorbed into the expanding European world system. With the independence of the Latin American countries, these areas as well as previously isolated zones in the interior of the American continent entered as peripheral zones in the world economy. Asia and Africa entered the system in the nineteenth century as peripheral zones.
- c) The inclusion of Africa and the Asian continents as peripheral zones increased the available surplus, allowing other areas such as the U.S. and Germany to enhance their core status.
- d) During this phase, the core regions shifted from a combination of agricultural and industrial interests to purely industrial concerns. Between 1700, England was Europe's leading industrial producer as well as the leader in agricultural production. By 1900, only 10% of England's population was engaged in agriculture.
- e) By the 1900s, with the shift toward manufacturing, core areas encouraged the rise of industries in peripheral and semi-peripheral zones so that they could sell machines to these regions.

THEORETICAL REPRISE

The capitalist world economy, as envisioned by Wallerstein, is a dynamic system which changes over time. However, certain basic features remain in place. Perhaps most important is that when one examines the dynamics of this system, the core regions of northwestern Europe clearly benefited the most from this arrangement. Through extremely high profits gained from international trade and from an exchange of manufactured goods for raw materials from the periphery (and, to a lesser extent, from the semi-peripheries), the core enriched itself at the expense of the peripheral economies. This, of course, did not mean either that everybody in the periphery became poorer or that all citizens of the core regions became wealthier as a result. In the periphery, landlords for example often gained great wealth at the expense of their underpaid coerced laborers, since landowners were able to expropriate most of the surplus of their workers for themselves. In turn in the core regions, many of the rural inhabitants, increasingly landless and forced to work as wage laborers, at least initially saw a relative decline in their standard of living and in the security of their income. Overall, certainly, Wallerstein sees the development of the capitalist world economy as detrimental to a large proportion of the world's population.

Through this theory, Wallerstein attempts to explain why modernization had such wide-ranging and different effects on the world. He shows how political and economic conditions after the breakdown of feudalism transformed northwestern Europe into the predominant commercial and political power. The geographic expansion of the capitalist world economy altered political systems and labor conditions wherever it was able to penetrate. Although the functioning of the world economy appears to create increasingly larger disparities between the various types of economies, the relationship between the core and its periphery and semi-periphery remains relative, not constant. Technological advantages, for example, could result in an expansion of the world economy overall, and precipitate changes in some peripheral or semi-peripheral areas. However, Wallerstein asserts that an analysis of the history of the capitalist world system shows that it has brought about a skewed development in which economic and social disparities between sections of the world economy have increased rather than provided prosperity for all.

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