IMMANUEL WALLERSTEIN

THE RISE AND FUTURE DEMISE OF THE WORLD CAPITALIST SYSTEM: CONCEPTS FOR COMPARATIVE ANALYSIS

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

penultimate stage of development, that the capitalist world was to know a cataclysmic political revolution which would then lead in the fullness of time to a final societal form, in this case the classless society.

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

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

A minisystem is an entity that has within it a complete division of labor, and a single cultural framework. Such systems are found only in very simple agricultural or hunting and gathering societies. Such minisystems no longer exist in the world. Furthermore, there were fewer in the past than is often asserted, since any such system that became tied to an empire by the payment of tribute as “protection costs” 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 minisystems, the only kind of social system is a world-system, which we define quite simply as a unit with a single division of labor and multiple cultural systems. It follows logically that there can, however, be two varieties of such world-systems, one with a common political system and one without. We shall designate these respectively as world-empires and world-economies.

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

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 opposite sides of the same coin. One does not cause the other. We are merely defining the same indivisible phenomenon by different characteristics.

How and why it came about that this particular European world-economy of the sixteenth century did not become transformed into a redistributive world-empire but developed definitively as a capitalist world-economy I have explained elsewhere. 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 must start with how one demonstrates the existence of a single division of labor. We can regard a division of labor as a grid which is substantially interdependent. Economic actors operate on some assumption (obviously seldom clear to any individual actor) that the totality of their essential needs—of sustenance, protection, and pleasure—will be met over a reasonable time span by a combination of their own productive activities and exchange in some form. The smallest grid that would substantially meet the expectations of the overwhelming majority of actors within those boundaries constitutes a single division of labor.
The reason why a small farming community whose only significant link to outsiders is the payment of annual tribute does not constitute such a single division of labor is that the assumptions of persons living in it concerning the provision of protection involve an “exchange” with other parts of the world-empire.

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

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

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

Since, however, the intellectual debate between the liberals and the Marxists took place in the era of the industrial revolution, there has tended to be a de facto confusion between industrialism and capitalism. This left the liberals after 1945 in the dilemma of explaining how a presumably noncapitalist society, the USSR, had industrialized. The most sophisticated response has been to conceive of “liberal capitalism” and “socialism” as two variants of an “industrial society,” two variants destined to “converge.” * * *

But the same confusion left the Marxists, including Marx, with the problem of explaining what was the mode of production that predominated in Europe from the sixteenth to the eighteenth centuries, that is before the industrial revolution. Essentially, most Marxists have talked of a “transitional” stage, which is in fact a blurry non-concept with no operational indicators. This dilemma is heightened if the unit of analysis used is the state, in which case one has to explain why the transition has occurred at different rates and times in different countries.

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

But why speak of this as a stage of capitalism at all? The workers were generally not proletarianized: that is, they were not separated from the instruments of production, nor even in many cases from occupation of a plot of land. Production was scattered and decentralized and not concentrated. The capitalist was still predominantly a merchant [italics mine] who did not control production directly and did not impose his own discipline upon the work of artisan-craftsmen, who both laboured as individual (or family) units and retained a considerable measure of independence (if a dwindling one)."
One might well say: why indeed? Especially if one remembers how much emphasis Dobb places a few pages earlier on capitalism as a mode of production—how then can the capitalist be primarily a merchant?—on the concentration of such ownership in the hands of a few, and on the fact that capitalism is not synonymous with private ownership, capitalism being different from a system in which the owners are “small peasant producers or artisan-producers.” Dobb argues that a defining feature of private ownership under capitalism is that some are “obliged to [work for those that own] since [they own] nothing and [have] no access to means of production [and hence] have no other means of livelihood.” Given this contradiction, the answer Dobb gives to his own question is in my view very weak: “While it is true that at this date the situation was transitional, and capital-to-wage-labour relations were still immaturely developed, the latter were already beginning to assume their characteristic features.”

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

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

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

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. **

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

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

The three structural positions in a world-economy—core, periphery, and semiperiphery—had become stabilized by about 1640. How certain areas became one and not the other is a long story.7 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”8 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. **

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 rejections (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. . . . ).9

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

The strengthening of the state machineries in core areas has as its direct counterpart the decline of the state machineries in peripheral areas. The decline of the Polish monarchy in the sixteenth and seventeenth centuries is a striking example of this phenomenon. 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 semiperiphery is needed to
make a capitalist world-economy run smoothly. Both kinds of world-system, the world-empire with a redistributive economy and the world-economy with a capitalist market economy, involve markedly unequal distribution of rewards. Thus, logically, there is immediately posed the question of how it is possible politically for such a system to persist. Why do not the majority who are exploited simply overwhelm the minority who draw disproportionate benefits? The most rapid glance at the historic record shows that these world-systems have been faced rather rarely by fundamental system-wide insurrection. While internal discontent has been eternal, it has usually taken quite long before the accumulation of the erosion of power has led to the decline of a world-system, and as often as not, an external force has been a major factor in this decline.

There have been three major mechanisms that have enabled world-systems to retain relative political stability. One obviously is the concentration of military strength in the hands of the dominant forces.

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 premodern societies, could contribute political cohesiveness to isolated clusters of primary producers, the upper stratum effectively buys off the potential leadership of coordinated revolt. And by denying access to political rights for this commercial-urban middle stratum, it makes them constantly vulnerable to confiscatory measures whenever their economic profits become sufficiently swollen so that they might begin to create for themselves military strength.

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

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

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-economy as an important variable and seek to analyze why this dimension tends to be cyclical in nature, as it seems to have been for several hundred years.

** We have adumbrated as our basic unit of observation a concept of world-systems that have structural parts and evolving stages. It is within such a framework, I am arguing, that we can fruitfully make comparative analyses—of the wholes and of parts of the whole. Conceptions precede and govern measurements. I am all for minute and sophisticated quantitative indicators. I am all for minute and diligent archival work that will trace a concrete historical series of events in terms of all its immediate complexities. But the point of either is to enable us to see better what has happened and what is happening. For that we need glasses with which to discern
the dimensions of difference, we need models with which to weigh significance, we need summarizing concepts with which to create the knowledge which we then seek to communicate to each other. And all this because we are men with hybris and original sin and therefore seek the good, the true, and the beautiful.

NOTES

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


5. Ibid., pp. 6–7.

6. Ibid., p. 21.

7. I give a brief account of this in “Three Paths


