World System Theory: Understanding the Capitalist Design

Rapti Mishra
Research Scholarl, Jawarhal Nehru University, New Delhi (India).

World system theory, which came to be popular after Immanuel Wallerstein's work, made its presence visible at a point when the older dominant approach in understanding development-the modernization theory, was under attack from all the sides. This theory is a theoretical break from theories of modernization and thus provides a new guide to our investigation of the emergence and development of capitalism, industrialization and nation-state. This work is an effort to revisit world system theory and see how it has influenced the classical understanding with its alternative view to look at International relations.

Key words: modernization, capitalism, core, periphery, world system, imperialism, nation state.

World system theory is a macro sociological perspective that seeks to explain the dynamics of 'the capitalist world economy' as a ‘total social system’ (See Martinez-Vela, 2001; p.1). Its first major contribution is associated with Immanuel Wallerstein, who in 1974 published a seminal paper The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis. Two years later in 1976, he published a book The Modern World System I: Capitalist agriculture and the origins of the European world Economy in the Sixteenth Century. This work had a huge impact on the sociological and historical thought and it also received a warm welcome in the developing world. The world system theory falls not only within the historical sociology and economic history but due to its emphasis on development and unequal opportunities, it has also been embraced by the development theorists and practitioners as well.

A very important inspiration for Wallerstein came from Marx and Max Weber for his contribution to understand the international system in terms of total social system in the dynamics of capital world economy. However before going into the details of the grand theory given by Wallerstein, let us first have a brief look at the origin of this theory.

THE ORIGIN OF THE WORLD SYSTEM THEORY:

The origins of the world system theory can be traced back to the ideas of Marx, and those who were the critique of Imperialism such as Hobson, Luxemburg, Bukharin, Hilferding and most importantly Lenin. The ideas were taken to the maturity with the work by Lenin in 1917, called Imperialism The Highest Stage of Capitalism. Lenin accepted the idea of Marx- basic base and superstructure model of Marx along with the idea that history can only be understood correctly in terms of class conflict. However there was a point of deviation in Lenin’s thesis, where he claims that the character of capitalism has undergone changes since the time of Marx published the first volume of Capital in 1867. According to Lenin, capitalism has entered into its highest and final stage with the development of monopoly capitalism, under which a two-tier structure had developed within the world economy with dominant core exploiting
the less developed periphery. With the development of core and periphery there remained no automatic harmony of interests between all the working class. The bourgeoisie of the core made huge profit and improved the lot of their own working class by exploiting the less developed periphery— a way of buying off their own working class through further exploitation of the periphery. Thus the structural differences between core and periphery determined the nature of relationship between the bourgeoisie and the proletariat of each country.

Lenin’s theory of imperialism has two important features of the world system approach, which is helpful in understanding of the world politics. These are (a) all politics whether international or domestic takes place within the realm of capitalist world economy. (b) States are not the only actors in world politics rather social classes also play a significant role and it is the location of the state and the classes within the structure of the capitalist economy that determines and constrains behavior and pattern of the interaction and domination between them. However view of Lenin were later on developed by the dependency school in Latin America where a significant contribution is made by Raul Prebisch. He argued that the countries in the periphery are becoming poorer relative to the core due to the ‘declining terms of the trade’ as the price of the manufactured goods increased more rapidly than that of the raw materials and thus due to the reliance of the periphery on the primary goods, they manage to get far less than that of the core countries. However these arguments were further developed by scholars like Andre Gunder Frank, Henrique Fernando Cardoso and thus we see the emergence of the contemporary world system theory.

World system theory, as mentioned above is basically famous by the name of Columbian scholar Immanuel Wallerstein; therefore a brief of what led him to develop this famous theory becomes a necessity here. So let us have brief of some of the impact on his work and then in succeeding section we will look into the basic theory of world system given by him. Wallerstein exposure to the third world had a huge impact on his mind and his theory. This theory was the product of that time when the dominant approach in understanding development famously known as the modernization theory, was under attack from many fronts. His aim was to achieve “a clear conceptual break with theories of ‘modernization’ and thus provide a new theoretical break with theories of ‘modernization’ and thus 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).

BUILDING BLOCKS OF WORLD SYSTEM THEORY:

There are three important intellectual building blocks of world-system theory, given by Wallerstein: (i) the Annales school, (ii) Marx, and (iii) dependence theory. These building blocks played a major role in the formulation of the world system theory by Wallerstein. World-system theory owes to the Annales school, whose main proponent, Fernand Braudel with his historical approach which had a huge impact on Wallerstein theory.
Wallerstein got from Braudel his insistence on the long term (la longue durée) analysis apart from it, he also learned from Braudel to focus on geo-ecological regions as units of analysis and to give attention to rural history, and reliance on empirical materials. At the methodological level we see huge impact of Annales on Wallerstein. From Marx, Wallerstein learned that (1) social conflict as fundamental reality among materially based human groups, (2) the concern with a relevant totality, (3) the transitory nature dynamic nature of society from one form to another and theories related to them, (4) the centrality of the process of accumulation which results in class struggles (5) a dialectical sense of motion through conflict and contradiction. Wallerstein’s aimed to revise Marxism. World-system theory is in many ways also been influenced by dependency theory. Dependency theory is a neo-Marxist explanation of development processes, quite popular in the developing world, one of the famous figures of dependency theory is Fernando Henrique Cardoso. Dependency theory focuses on understanding the “periphery” by looking at the kind of interaction between core-periphery, and it has flourished in peripheral regions like Latin America in 1960’s. It is from a dependency theory perspective that many contemporary scholars criticize global capitalism. Other important influences in Wallerstein’s work are Karl Polanyi and Joseph Schumpeter. From the latter comes world-system interest in business cycles, and from the former, the concepts such as, the three basic modes of economic organization: reciprocal, redistributive, and market modes. These are corresponding to Wallerstein’s concepts of mini-systems, world-empires, and world-economies.

What is a world-system?

Wallerstein held that, “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 is has a lifespan 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 1974; p. 347). In a work by Goldfrank in 2000 Paradigm Regained? The rules of Wallerstein’s World System Method, he holds thata world-system is what Wallerstein terms a "world economy", which is linked through the market rather than a political center in this system two or more regions are interdependent with respect to necessities like for example food, fuel, and protection, and two or more polities compete against each other for domination without the emergence of one single center forever.

For Wallerstein individual societies cannot be understood in isolation without the reference to the world system in which they are embedded. Modern nation state are the part of the world system in which he explained different types of social systems, which according to him are of three types. The first one he termed as the ‘mini system’ which are small homogeneous societies. They are basically hunting and gathering, pastoral and simple horticulture societies, which are relatively self-contained economic units, producing all goods and services within its socio-culture system.

The second type of social system is a ‘world empire’, the economy of this system is based on the extraction of surplus goods and services from outlying areas. Much of the tribute goes to pay for the administrators and military for the extraction and continued domination, the rest then goes to the political rulers as the head of the empire. Lastly the third type of social system which is been given by Wallerstein, are the world-economies. These world economies neither have unified political system nor are its dominance based on military power which
is in the case of world empires. A world economy is based on the extraction of the surplus from the outlying areas by those who rules at the center.

**Capitalist world system:**

In the book, *The Modern World System: Capitalist Agriculture and the Origins of the European World Economy* in the Sixteenth Century, Immanuel Wallerstein gives a theoretical outline in order to understand the historical changes which occurred in the process of the rise of the modern world. The modern world system which is in its essence, capitalist in nature, is followed by the crisis of the feudal system and thus this helps to enlighten us to the question of how the rise of Western Europe to world supremacy between 1450 and 1670? According to Wallerstein, his theory gives a comprehensive picture of the external and internal manifestations of the modernization process during this period, with the help of which a sound comparison can be made between different parts of the world.

**MEDIEVAL PRELUDE:**

In Western Europe "feudalism" dominated West European society before sixteenth century. Between the periods of 1150-1300, it was feudal system within which both population as well as commerce expanded. However, from 1300-1450, the process expansion received a blow, creating a severe economic crisis. According to Wallerstein, the feudal crisis was probably caused by the interaction of the following factors:

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

ii) The economy began to shrink as the economic cycle of the feudal economy had reached its optimum level.

iii) A shift of climate conditions severely affected the agricultural productivity and contributed an increase in epidemics.

**THE NEW EUROPEAN DIVISION OF LABOR:**

Wallerstein argues that in order to ensure continued economic growth, the Europe moved towards the establishment of a capitalist world economy. However, this entailed the expansion of the geographical size of the world in question, there developed different modes of labor control and in turn led to the creation of relatively strong state machineries in the states of Western Europe. Thus we see that it was in response to the feudal crisis that the world economic system emerged in the late fifteenth and early sixteenth centuries. The world saw for the first time an economic system which covered much of the world with links that superseded national or other political boundaries. The new world economy was different from earlier single political unit known as the empire systems. Empires depended upon a system of government which, through commercial monopolies combined with help of the use of force. The aim of such a system was directed towards the flow of economic goods from the periphery to the center. Empires maintained specific political boundaries, the control of which was maintained with the help of an extensive bureaucracy and a standing army. However it was only through the techniques of modern capitalism which enabled the modern world economy to extend beyond the political boundaries unlike those of the earlier empire system.

In this new capitalist world system, an international division of labor pattern emerged which determined not only the relationships between different regions but also determined the types of labor conditions within each region. In the capitalist world economy, the type of political system was also directly related to
each region's position within it. As a basis for comparison, Wallerstein proposes four different categories they are i) core ii) semi-periphery iii) periphery and iv) external. It was these four different positions which defined the relative position of a particular region within the world economy with each category having its own particular internal political and economic characteristic features. Let us see what each of these categories represented, according to Wallerstein.

The Core:

The core regions were the most beneficiary region which benefitted the most from the capitalist world economy. Much of northwestern Europe (England, France, Holland) were the first core region. Politically, the states which were the part of this region of Europe developed strong central governments, wide-ranging bureaucracies, large and well maintained mercenary armies. These well maintained structure helped the local bourgeoisie to be able to obtain control over international commerce and made it possible to extract capital surpluses from the trade which on one hand worked in their favor resulting in huge profit and on other hand, as the rural population expanded, the increasing number of landless wage earners provided labor for farming and manufacturing activities. The switch from feudal type to money rents in the aftermath of the feudal crisis gave to the independent or yeoman farmers but it also led many other peasants off the land. This forced the impoverished peasants to move to the cities where they provided cheap labor essential for the growth in manufacturing activities in these urban areas. Agricultural productivity increased with the growing dominance of the commercialized independent farmer which also gave rise to improved farm technology.

The Periphery:

The other end, there is lying the peripheral zones. This region doesn’t have the characteristic of a strong central government or were under the control of other states. The peripheral region exported raw materials to the core, and relied on coercive labor practices. The core was the beneficiary of much of the capital surplus generated by the peripheral zone based on the unequal trade relations. This area was constituted by Eastern Europe (especially Poland) and Latin America. In Poland, kings lost power to the nobility and this region became a prime exporter of wheat to the rest of Europe. To gain control over the cheap labor, landlords forced rural workers into a "second serfdom". In Latin America, the Spanish and Portuguese control, which was the result of their conquest, destroyed indigenous authority structures and it was replaced by weak bureaucracies under the control of these European states. Powerful local landlords of Hispanic origin became the powerful and dominant aristocratic capitalist farmers. Enslavement of the native populations, the import of African slaves, and the unequal and exploitative labor practices such as the encomienda and forced mine labor made possible for these dominant class to export cheap raw materials to Europe. The Labor systems in both peripheral areas were different from earlier forms which was prevalent in medieval Europe within which they were established to produce goods merely for internal consumption and not for the capitalist world economy. Furthermore, the aristocracy both in Eastern Europe and Latin America grew wealthy and strong as their relationship with the world economy grew and thus could draw on the strength of a central core region to maintain control.

The Semi-Periphery:

Between the two ends of a pole lie the semi-peripheries. These areas were comprised of either core regions in decline or peripheries which were attempting to improve their relative position in the economic system of the world. The characteristic which defines the semi-peripheries is that it exhibited tensions between the central government and a
strong local landed class. Illustrations of declining cores which in the course of time became semi-peripheries during the period under study are Portugal and Spain. To name some other semi-peripheries at this time were Italy, southern Germany, and southern France. Economically, these regions maintained limited but waning access to international banking and the production of high-cost and high-quality manufactured goods. However, they failed to predominate in international trade and thus did not benefit to the same extent compared to the core. Landlords in semi-peripheries resorted to sharecropping along with a weak capitalist rural economy.

According to Wallerstein, the semi-peripheries were exploited by the core but, the case of the American empires of Spain and Portugal, was different they often exploited the peripheries. Like for example Spain imported silver and gold from its American colonies, obtained largely through coercive labor practices, but most of the semi-peripheries used to pay for manufactured goods from core countries such as England and France instead of encouraging the formation of a domestic manufacturing sector.

External Areas:

These areas maintained their own economic systems and remained outside the realm of world capitalist economy for the most of the part. Russia is the best example of external areas. Unlike Poland, Russia's wheat was circulated in its internal market. Moreover it also traded with Asia as well as Europe. What made these external areas different from the rest of the aforesaid areas is that internal commerce remained more important than trade with outside regions. Also, the extensive power of the Russian state helped it to regulate the economy and controlled foreign commercial influence to a limited extent.

STAGES OF GROWTH:

The development of the modern world economy lasted for centuries, in this time according to Wallerstein; different regions changed their relative position within this world economic system. He divided the history of the capitalist world system into four stages, which can be simplified and divided into two basic phases:

**Stages 1 and 2:**

The period between 1450-1670 saw the rise of modern world system, when the Hapsburg Empire failed to translate the emerging world economy to a world empire, all the then existing western European states endeavored to build up their respective positions within the new world system. In order to bring about this move, most of the states merged their internal political economic and social resources by:

a) **Bureaucratization:** This process assisted the limited but rising power of the king. By increasing the state power to collect taxes, the kings ultimately increased the state power to borrow money and thus we see further expansion of the state bureaucracy. At the end of this stage, the monarch became the ultimate power and thus there established what has been called "absolute monarchy."

b) **Homogenization of the local population:** To underline state involvement in the new capitalist system and to encourage the rise of indigenous capitalist groups, many core states excluded minorities. These independent capitalist groups, with no deep rooted local ties, were seen as threats to the development of strong core states the example of it can be cited from the Jews in England, Spain, and France were all, who were all expelled with the rise of absolute monarchy. Similarly, Protestants, who were often the merchants in Catholic countries, became the target of catholic churches. The Catholic Church which was a trans-national institution saw the development of capitalism and the
strengthening of the state as a threat to their supremacy.

c) Expansion of the armed forces to aid the centralized monarchy and to give protection of the new state from invasions.

d) The concept of absolutism came into being, at this time which was related to the relative independence of the monarch from previously established laws. This distinction made the king to be at liberty from prior feudal laws.

e) Diversified economic activities maximized the profits and strengthened the position of the local bourgeoisie.

By 1640, northwestern European states occupied their position as core states in the emerging world economy. Spain and northern Italy got reduced to semi-peripheral status, while north-eastern Europe and Iberian America acquired the peripheral status. England moved steadily towards core status. During this period, there was a dramatic fall in worker’s wages. This wage fall characterized most European centers of capitalism, except the cities in north and central Italy and Flanders which did not follow the trend. The reason for this exception was that the cities were relatively older centers of trade, and the workers had strong politico-economic hold. The opposition of workers broke down the ability of employers to amass the large surplus necessary for the expansion of capitalism. Meanwhile, in other parts of Europe profited the employers amassed huge surplus for investment with their tactics of paying low wages to the laborers.

Long-distance trade with the America and the East gave huge profits to small merchant elites, which went in excess of 200 per cent to 300 per cent. Eventually, the profits of the Trans-Atlantic trade strengthened the merchant’s hold over European agriculture and industries. Merchants with adequate power accumulated profit by purchasing goods prior to their production. By calculating the costs of finished products, merchants could extend their profit margin and thus by making huge profit they were able to control the internal markets. This powerful merchant class provided the base of capital, necessary for the industrial growth of European core states.

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

Industrial rather than agricultural capitalism characterized this era. With the shift of emphasis from agriculture to industrial production, the following reactions characterized this period.

a) European states participated in active discovery of regions for the exploitation of new markets.

b) Competitive world systems such as the Indian Ocean system were immersed into the growing European world system. With the independence of the Latin American countries and areas previously isolated zones lying within the interiors 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 made it possible for the core states to avail more surpluses, allowing other areas such as the U.S. and Germany to improve their core status.

d) During this phase, there arose a shift from the combination of the agriculture and industrial interest to purely industrial concerns in the core region. By 1700, England was Europe’s leading industrial and agricultural producer. By 1900, only 10 per cent of England's population was engaged in agriculture.
e) By the 1900s, the world witnessed a shift toward manufacturing in peripheral zones. Core areas encouraged the rise of industries in periphery and semi-periphery so that they could sell machines to these regions.

DEVELOPMENTS IN WORLD SYSTEM THEORY:

Over the period of time Wallerstein theory of world system became the base of various studies. Many scholars have built upon the framework given by Wallerstein example of it can be cited in the work of Christopher Chase Dunn. Dunn’s emphasize lies more on the inter-state system and argues that there is one logic behind the capitalist mode of production in which both politico-military and exploitative economic relations plays a key role. He has tried to bridge a gap between New-Marxist and Wallerstein work in which he emphasized the production in the world economy. Another scholar Janet Abu Lugod challenges the Wallerstein claims of the emergence of the world system in the sixteenth century. According to her, during medieval period Europe was the peripheral region to the world economy and the core was that of middle-east. A similar line of argument was also forwarded by the scholar from dependency school known as Andre Gunder Frank, he held that the source of the capitalist world economy was not located in the Europe intact the rise of the Europe occurred within the existing world economy which had its origin in Asia. Thus he criticizes western social theory including Marxism in general and world system theory in particular, which tries to examine ‘western exceptionalism’. Finally, the theory has also been criticized for ignoring cultural factors and also for being too core-centric and state-centric.

CONCLUSION:

The capitalist world economy, as visualized by Wallerstein, is a dynamic system which changes with due passage of time. However, certain basic features remain in place. Perhaps most important is that the core regions of northwestern Europe are the clear beneficiaries from this arrangement. The extreme high profits gained from international trade and exchange of manufactured goods for raw materials from the periphery (and, to a lesser extent, from the semi-peripheries), made it possible for the core states to enriched itself at the expense of the peripheral economies. This, of course, did not mean either that everybody in the peripheral zone became poorer or that all citizens of the core regions became wealthier. In the periphery, landlords were the profit makers at the expense of their underpaid coerced laborers. In the core regions, many of the rural people who became increasingly landless and were forced to work as wage laborers, at least initially, saw a relative decline in their standard of living and sever decline in their income. Overall, Wallerstein sees the development of the capitalist world economy as unfavorable to a large proportion of the world's population. Through this theory, Wallerstein attempts to explain why modernization had sweeping and different effects on the world. He shows that the political and economic conditions after the collapse of feudalism, transformed northwestern Europe into the major industrial and political power. With the geographic expansion of the capitalist world economy there altered political systems and labor conditions wherever it was able to infiltrate. However the relation between the core, semi-periphery and periphery remained relative and not constant However, Wallerstein stressed that an analysis of the history of the capitalist world system showed that it has brought about a distorted development in which economic and social disparities between sections of the world economy have augmented rather than provided affluence for all.


