

Summary of Wallerstein on World System Theory

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:

1. Agricultural production fell or remained stagnant. This meant that the burden of peasant producers increased as the ruling class expanded.
2. The economic cycle of the feudal economy had reached its optimum level; afterwards the economy began to shrink.
3. 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 This was the first time that an economic system encompassed much of the world with links that superseded national or other political boundaries.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 state's 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 REPRISAL

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.