# TO START *Understanding the World In Which We Live*

THE MEDIA, AND INDEED the social scientists, constantly tell us that two things dominate the world we have been living in since the last decades of the twentieth century: globalization and terrorism. Both are presented to us as substantially new phenomena—the first filled with glorious hope and the second with terrible dangers. The U.S. government seems to be playing a central role in furthering the one and fighting the other. But of course these realities are not merely American but global. What underlies a great deal of the analysis is the slogan of Mrs. Thatcher, who was Great Britain's prime minister from 1979 to 1990: TINA (There Is No Alternative). We are told that there is no alternative to globalization, to whose exigencies all governments must submit. And we are told that there is no alternative, if we wish to survive, to stamping out terrorism ruthlessly in all its guises.

This is not an untrue picture but it is a very partial one. If we look at globalization and terrorism as phenomena that are defined in limited time and scope, we tend to arrive at conclusions that are as ephemeral as the newspapers. By and large, we are not then able to understand the meaning of these phenomena, their origins, their trajectory, and most importantly where they fit in the larger scheme of things. We tend to ignore their history. We are unable to put the pieces together, and we are constantly surprised that our short-term expectations are not met.

How many people expected in the 1980s that the Soviet Union would crumble as fast and as bloodlessly as it did? And how many people expected in 2001 that the leader of a movement few had ever heard of, al-Qaeda, could attack so boldly the Twin Towers in New York and the Pentagon on September 11, and cause so much damage? And yet, seen from a longer perspective, both events form part of a larger scenario whose details we might not have known in advance but whose broad outlines were quite predictable.

Part of the problem is that we have studied these phenomena in separate boxes to which we have given special names—politics, economics, the social structure, culture—without seeing that these boxes are constructs more of our imagination than of reality. The phenomena dealt with in these separate boxes are so closely intermeshed that each presumes the other, each affects the other, each is incomprehensible without taking into account the other boxes. And part of the problem is that we tend to leave out of our analyses of what is and is not "new" the three important turning points of our modern world-system: (1) the long sixteenth century during which our modern world-system came into existence as a capitalist world-economy; (2) the French Revolution of 1789 as a world event which accounts for the subsequent dominance for two centuries of a geoculture for this world-system, one that was dominated by centrist liberalism; and (3) the world revolution of 1968, which presaged the long terminal phase of the modern world-system in which we find ourselves and which undermined the centrist liberal geoculture that was holding the world-system together.

The proponents of world-systems analysis, which this book is about, have been talking about globalization since long before the word was invented—not, however, as something new but as something that has been basic to the modern world-system ever since it began in the sixteenth century. We have been arguing that the separate boxes of analysis—what in the universities are called the disciplines—are an obstacle, not an aid, to understanding the world. We have been arguing that the social reality within which we live and which determines what our options are has not been the multiple national states of which we are citizens but something larger, which we call a world-system. We have been saying that this world-system has had many institutions—states and the interstate system, productive firms, households, classes, identity groups of all sorts—and that these institutions form a matrix which permits the system to operate but at the same time stimulates both the conflicts and the contradictions which permeate the system. We have been arguing that this system is a social creation, with a history, whose origins need to be explained, whose ongoing mechanisms need to be delineated, and whose inevitable terminal crisis needs to be discerned.

In arguing this way, we have not only gone against much of the official wisdom of those in power, but also against much of the conventional knowledge put forth by social scientists for two centuries now. For this reason, we have said that it is important to look anew not only at how the world in which we live works but also at how we have come to think about this world. World-systems analysts see themselves therefore as engaging in a fundamental protest against the ways in which we have thought that we know the world. But we also believe that the emergence of this mode of analysis is a reflection of, an expression of, the real protest about the deep inequalities of the world-system that are so politically central to our current times.

I myself have been engaged in and writing about world-systems analysis for over thirty years. I have used it to describe the history and the mechanisms of the modern world-system. I have used it to delineate the structures of knowledge. I have discussed it as a method and a point of view. But I have never tried to set down in one place the totality of what I mean by world-systems analysis.

Over these thirty years, the kind of work that comes under this rubric has become more common and its practitioners more widespread geographically. Nonetheless, it still represents a minority view, and an oppositional view, within the world of the historical social sciences. I have seen it praised, attacked, and quite often misrepresented and misinterpreted—sometimes by hostile and not very well-informed critics, but sometimes by persons who consider themselves partisans or at least sympathizers. I decided that I would like to explain in one place what I consider its premises and principles, to give a holistic view of a perspective that claims to be a call for a holistic historical social science.

This book is intended for three audiences at once. It is written for the general reader who has no previous specialist knowledge. This person may be a beginning undergraduate in the university system or a member of the general public. Secondly, it is written for the graduate student in the historical social sciences who wants a serious introduction to the issues and perspectives that come under the rubric of world-systems analysis. And finally it is written for the experienced practitioner who wishes to grapple with my particular viewpoint in a young but growing community of scholars.

The book begins by tracing what many readers will think a circuitous path. The first chapter is a discussion of the structures of knowledge of the modern world-system. It is an attempt to explain the historical origins of this mode of analysis. It is only with chapters 2–4 that we discuss the actual mechanisms of the modern world-system. And it is only in chapter 5, the last, that we discuss the possible future we are facing and therefore our contemporary realities. Some readers will prefer to jump to chapter 5 immediately, to make chapter 5 into chapter 1. If I have structured the argument in the order that I have, it is because I believe very strongly that to understand the case for world-systems analysis, the reader (even the young and beginning reader) needs to "unthink" much of what he or she has learned from elementary school on, which is reinforced daily in the mass media. It is only by confronting directly how we have come to think the way we do that we can begin to liberate ourselves to think in ways that I believe permit us to analyze more cogently and more usefully our contemporary dilemmas.

Books are read differently by different people, and I assume that each of the three groups of readers for whom this book is intended will read the book differently. I can only hope that each group, each individual reader, will find it useful. This is an *introduction* to world-systems analysis. It has no pretension of being a summa. The book seeks to cover the whole range of issues, but no doubt some readers will feel that some things are missing, other things overemphasized, and of course some of my arguments simply wrong. The book intends to be an introduction to a way of thinking and therefore is also an invitation to an open debate, in which I hope all three audiences will participate.

WORLD-SYSTEMS ANALYSIS

# 1 Historical Origins of World-Systems Analysis

## *From Social Science Disciplines to Historical Social Sciences*

World-systems analysis originated in the early 1970s as a new perspective on social reality. Some of its concepts have been in use for a long time and some are new or at least newly named. Concepts can only be understood within the context of their times. This is even more true of whole perspectives, whose concepts have their meaning primarily in terms of each other, of how they make up a set. New perspectives are, in addition, generally best understood if one thinks of them as a protest against older perspectives. It is always the claim of a new perspective that the older, and currently more accepted, one is in some significant way inadequate, or misleading, or tendentious, that the older one therefore represents more a barrier to apprehending social reality than a tool for analyzing it.

Like any other perspective, world-systems analysis has built on earlier arguments and critiques. There is a sense in which almost no perspective can ever be entirely new. Someone has usually said something similar decades or centuries earlier. Therefore, when we speak of a perspective being new, it may only be that the world is ready for the first time to take seriously the ideas it embodies, and perhaps also that the ideas have been repackaged in a way that makes them more plausible and accessible to more people.

The story of the emergence of world-systems analysis is embedded in the history of the modern world-system and the structures of knowledge that grew up as part of that system. It is most useful to trace the beginning of this particular story not to the 1970s but to the mid-eighteenth century. The capitalist world-economy had then been in existence for some two centuries already. The imperative of the endless accumulation of capital had generated a need for constant technological change, a constant expansion of frontiers—geographical, psychological, intellectual, scientific.

There arose in consequence a felt need to know how we know, and to debate how we may know. The millennial claim of religious authorities that they alone had a sure way to know truth had been under challenge in the modern world-system for some time already. Secular (that is, nonreligious) alternatives were increasingly well received. Philosophers lent themselves to this task, insisting that human beings could obtain knowledge by using their minds in some way, as opposed to receiving revealed truth through some religious authority or script. Such philosophers as Descartes and Spinoza—however different they were from each other—were both seeking to relegate theological knowledge to a private corner, separated from the main structures of knowledge.

While philosophers were now challenging the dictates of the theologians, asserting that human beings could discern truth directly by the use of their rational faculties, a growing group of scholars agreed about the role of theologians but argued that so-called philosophical insight was just as arbitrary a source of truth as divine revelation. These scholars insisted on giving priority to *empirical* analyses of reality. When Laplace in the beginning of the nineteenth century wrote a book on the origins of the solar system, Napoleon, to whom he presented the book, noted that Laplace had not mentioned God once in his very thick book. Laplace replied: "I have no need of that hypothesis, Sire." These scholars would now come to be called scientists. Still, we must remember that at least until the late eighteenth century, there was no sharp distinction between science and philosophy in the ways in which knowledge was defined. At that time, Immanuel Kant found it perfectly appropriate to lecture on astronomy and poetry as well as on metaphysics. He also wrote a book on interstate relations. Knowledge was still considered a unitary field.

About this time in the late eighteenth century, there occurred what some now call the "divorce" between philosophy and science. It was those defending empirical "science" who insisted upon this divorce. They said that the *only* route to "truth" was theorizing based on induction from empirical observations, and that these observations had to be done in such a way that others could subsequently replicate and thereby verify the observations. They insisted that metaphysical deduction was speculation and had no "truth"-value. They thus refused to think of themselves as "philosophers."

It was just about this time as well, and indeed in large part as a result of this so-called divorce, that the modern university was born. Built upon the framework of the medieval university, the modern university is really quite a different structure. Unlike the medieval university, it has full-time, paid professors, who are almost never clerics, and who are grouped together not merely in "faculties" but in "departments" or "chairs" within these faculties, each department asserting that it is the locus of a particular "discipline." And the students pursue courses of study which lead to degrees that are defined by the department within which they have studied.

The medieval university had had four faculties: theology, medicine, law, and philosophy. What happened in the nineteenth century was that almost everywhere, the faculty of philosophy was divided into at least two separate faculties: one covering the "sciences"; and one covering other subjects, sometimes called the "humanities," sometimes the "arts" or "letters" (or both), and sometimes retaining the old name of "philosophy." The university was institutionalizing what C. P. Snow would later call the "two cultures." And these two cultures were at war with each other, each insisting that it was the only, or at least the best, way to obtain knowledge. The emphasis of the sciences was on empirical (even experimental) research and hypothesis testing. The emphasis of the humanities was on empathetic insight, what later was called hermeneutic understanding. The only legacy we have today of their erstwhile unity is that all the arts and sciences in the university offer as their highest degree the PhD, doctor of philosophy.

The sciences denied the humanities the ability to discern truth. In the earlier period of unified knowledge, the search for the true, the good, and the beautiful had been closely intertwined, if not identical. But now the scientists insisted that their work had nothing to do with a search for the good or the beautiful, merely the true. They bequeathed the search for the good and the beautiful to the philosophers. And many of the philosophers agreed to this division of labor. So, the division of knowledge into the two cultures came to mean as well creating a high barrier between the search for the true and the search for the good and the beautiful. This then justified the claim of the scientists that they were "value-neutral."

In the nineteenth century, the faculties of science divided themselves into multiple fields called disciplines: physics, chemistry, geology, astronomy, zoology, mathematics, and others. The faculties of humanities divided themselves into such fields as philosophy, classics (that is, Greek and Latin, the writings of Antiquity), art history, musicology, the national language and literature, and languages and literatures of other linguistic zones.

The hardest question was into which faculty one ought to place the study of social reality. The urgency of such a study was brought to the fore by the French Revolution of 1789 and the cultural upheaval it caused in the modern world-system. The French Revolution propagated two quite revolutionary ideas. One was that political change was not exceptional or bizarre but normal and thus constant. The second was that "sovereignty"—the right of the state to make autonomous decisions within its realm—did not reside in (belong to) either a monarch or a legislature but in the "people" who, alone, could legitimate a regime.

Both of these ideas caught on and became widely adopted, despite the political reversals of the French Revolution itself. If political change was now to be considered normal and sovereignty was to reside in the people, it suddenly became imperative for everyone to understand what it was that explained the nature and pace of change, and how the "people" arrived at, could arrive at, the decisions they were said to be making. This is the social origin of what we later came to call the social sciences.

But what were the "social sciences" and how did they situate themselves in the new war between the "two cultures"? These are not easy questions to answer. Indeed, one might argue that these questions have never been satisfactorily answered. Initially what one saw is that the social sciences tended to place themselves in the middle between the "pure sciences" and the "humanities." In the middle, but not comfortably in the middle. For the social scientists did not evolve a separate, third way of knowing; rather they divided themselves between those who leaned toward a "scientific" or "scientistic" view of social science and those who leaned toward a "humanistic" view of social science. The social sciences seemed tied to two horses straining in opposite directions, and pulled apart by them.

The oldest of the social sciences is of course history, an activity and a label that go back thousands of years. In the nineteenth century there occurred a "revolution" in historiography associated with the name of Leopold Ranke, who coined the slogan that history should be written *wie es eigentlich gewesen ist* (as it really did happen). What he was protesting against was the practice of historians to engage in hagiography, telling tales that glorified monarchs or countries, including invented tales. What Ranke was proposing was a more scientific history, one that eschewed speculation and fable.

Ranke was also proposing a specific method by which such history might be written—by searching for documents describing events that were written at the time of the events. Eventually, such documents would come to be stored in what we call archives. It was the assumption of the new historians when they studied the documents in the archives that actors at the time had not been writing for future historians but were revealing what they really thought at the time or at least what they wanted others to believe. Of course, the historians acknowledged that such documents had to be handled carefully, to verify that there was no fraud, but once verified, these documents were considered largely exempt from the intrusive bias of the later historian. To minimize bias further, historians would insist that they could write history only of the "past" and not of the "present," since writing about the present inevitably bore the imprint of the passions of the moment. In any case, archives (which were controlled by the political authorities) were seldom "open" to the historian until a long period had passed (fifty to a hundred years), so they normally did not have access in any case to the important documents about the present. (In the late twentieth century, many governments came under pressure from opposition politicians to open their archives much more quickly. And while this openness has had some effect, it seems also true that governments have found as well new ways of guarding their secrets.)

Nonetheless, despite this more "scientific" bent, the new historians did not choose to be located in the faculty of science, but rather in the faculty of humanities. This might seem strange, since these historians were rejecting the philosophers because of their speculative assertions. In addition they were empiricists, and thus one might have thought they would feel sympathetic vibrations for the natural scientists. But they were empiricists who were by and large suspicious of large-scale generalizations. They were not interested in arriving at scientific laws or even formulating hypotheses, often insisting that each particular "event" had to be analyzed in terms of its own particular history. They argued that human social life was quite unlike the physical phenomena studied by the pure scientists, because of the factor of human will, and this emphasis on what we today call human agency led them to think of themselves as "humanists" rather than "scientists."

But which events were worthy of their regard? Historians had to make decisions about objects of study. That they were relying on written documents from the past already biased what they could possibly study, since the documents in archives were written largely by persons linked to political structures—diplomats, civil servants, political leaders. These documents revealed little about phenomena that were not marked by political or diplomatic occurrences. Furthermore, this approach presumed that the historians were studying a zone in which there existed written documents. In practice, historians in the nineteenth century tended therefore to study first of all their own country, and secondarily other countries which were considered "historical nations," which seemed to mean nations with a history that could be documented in archives.

But in which countries were such historians located? The overwhelming majority (probably 95 percent) were to be found in only five zones: France, Great Britain, the United States, and the various parts of what would later become Germany and Italy. So at first, the history that was written and taught was primarily the history of these five nations. There was in addition a further question to decide: What should be included in the history of a country like France or Germany? What are its boundaries, geographic and temporal? Most historians decided to trace back the story as far as they could, using the territorial boundaries of the present, or even the boundaries as they were claimed at present. The history of France was thus the history of everything that had happened within the boundaries of France as defined in the nineteenth century. This was of course quite arbitrary, but it did serve one purpose—reinforcing contemporary nationalist sentiments—and it was therefore a practice encouraged by the states themselves.

Still, it followed from the historians' practice of restricting themselves to studying the past that they had little to say about the contemporary situations facing their countries. And political leaders felt in need of more information about the present. New disciplines therefore grew up for this purpose. There were mainly three: economics, political science, and sociology. Why, however, would there be *three* disciplines to study the present but only one to study the past? Because the dominant liberal ideology of the nineteenth century insisted that *modernity* was defined by the differentiation of three social spheres: the market, the state, and the civil society. The three spheres operated, it was asserted, according to different logics, and it was good to keep them separated from each other—in social life and therefore in intellectual life. They needed to be studied in different ways, appropriate to each sphere—the market by economists, the state by political scientists, and the civil society by sociologists.

Again the question arose: How can we arrive at "objective" knowledge about these three spheres? Here, the response was different from that given by the historians. In each discipline, the view that came to dominate was that these spheres of life—the market, the state, and the civil society—were governed by laws that could be discerned by empirical analysis and inductive generalization. This was exactly the same view as that which the pure scientists had about their objects of study. So we call these three disciplines nomothetic disciplines (that is, disciplines in search of scientific laws) as opposed to the idiographic discipline which history aspired to be—that is, a discipline that is predicated on the uniqueness of social phenomena.

Again, the question would be posed, where should one focus the study of contemporary phenomena? The nomothetic social scientists were located primarily in the same five countries as the historians, and in the same way studied primarily their own countries (or at most they made comparisons among the five countries). This was to be sure socially rewarded, but in addition the nomothetic social scientists put forward a methodological argument to justify this choice. They said that the best way to avoid bias was to use quantitative data, and that such data were most likely to be located in their own countries in the immediate present. Furthermore, they argued that if we assume the existence of general laws governing social behavior, it would not matter where one studied these phenomena, since what was true in one place and at one time was true in all places at all times. Why not then study phenomena for which one had the most reliable data—that is, the most quantified and replicable data?

Social scientists did have one further problem. The four disciplines together (history, economics, sociology, and political science) studied in effect only a small portion of the world. But in the nineteenth century, the five countries were imposing colonial rule on many other parts of the world, and were engaged in commerce and sometimes in warfare with still other parts of the world. It seemed important to study the rest of the world as well. Still, the rest of the world seemed somehow different, and it seemed inappropriate to use four West-oriented disciplines to study parts of the world that were not considered "modern." As a result, two additional disciplines arose.

One of these disciplines was called anthropology. The early anthropologists studied peoples who were under actual or virtual colonial rule. They worked on the premise that the groups they were studying did not enjoy modern technology, did not have writing systems of their own, and did not have religions that extended beyond their own group. They were generically called "tribes": relatively small groups (in terms of population and the area they inhabited), with a common set of customs, a common language, and in some cases a common political structure. In nineteenth-century language, they were considered "primitive" peoples.

One of the essential conditions for studying these peoples was that they fell under the political jurisdiction of a modern state, which guaranteed order and the safe access of the anthropologist. Since these peoples were culturally so different from those who studied them, the principal mode of investigation was what was called "participant observation," in which the investigator lives among the people for some time, seeking to learn the language and discern the whole range of their customary ways. He or she often made use of local intermediaries as interpreters (both linguistically and culturally). This exercise was called writing an ethnography, and it was based on "fieldwork" (as opposed to library work or archival work).

It was assumed that the peoples had no "history," except one following the imposition of rule by modern outsiders which had resulted in "culture contact" and therefore some cultural change. This change meant that the ethnographer normally tried to reconstruct the customs as they existed before the culture contact (which usually was relatively recent), and these customs were then assumed to have existed from time immemorial up to the imposition of colonial rule. Ethnographers served in many ways as the primary interpreters of their peoples to the modern outsiders who governed them. They recast in language understandable to these outsiders the rationale behind the customary ways. They were thus useful to the colonial rulers by offering information that could make the governors more cognizant of what they could and could not do (or should not do) in their administration.

The world was however made up of more than just the "modern" states and these so-called primitive peoples. There were large regions outside the pan-European zone which had what was called in the nineteenth century a "high civilization"—for example, China, India, Persia, the Arab world. All these zones had certain common characteristics: writing; a dominant language which was used in the writing; and a single dominant "world" religion which however was not Christianity. The reason for these common features was of course very simple. All these zones had been in the past, and sometimes continued to be even in the present, the location of bureaucratic "world-empires" that had embraced large areas, and therefore developed a common language, a common religion, and many common customs. This is what was meant when they were called "high civilizations."

These regions all shared another feature in the nineteenth century. They were no longer as strong militarily or technologically as the pan-European world. So the pan-European world considered that they were not "modern." Still, their inhabitants clearly did not meet the description of "primitive" peoples, even by pan-European standards. The question then was how they might be studied and what had to be studied about them. Since they were culturally so different from Europeans, and since they had texts written in languages that were so different from those of their European investigators, and since their religions were so different from Christianity, it seemed that those who were to study them required long, patient training in esoteric skills if they were to understand very much about them. Philological skills were particularly useful in deciphering ancient religious texts. The people who acquired such skills began to call themselves Orientalists, a name derived from the classic West-East distinction which had existed for a long time within European intellectual traditions.

And what did the Orientalists study? In one sense, it might be said that they also did ethnographies; that is, they sought to describe the range of customs they discovered. But these were not for the most part ethnographies based on fieldwork, but rather derived from reading the texts. The persistent question that was in the back of their minds was how to explain that these "high civilizations" were not "modern" like the pan-European world. The answer the Orientalists seemed to put forth was that there was something in the composite culture of these civilizations which had "frozen" their history, and had made it impossible for them to move forward, as had the Western

Christian world, to "modernity." It followed that these countries thus required assistance from the pan-European world if they were to move forward to modernity.

The anthropologists-ethnographers studying primitive peoples and the Orientalists studying high civilizations had one epistemological commonality. They were both emphasizing the particularity of the group they were studying as opposed to analyzing generic human characteristics. Therefore they tended to feel more comfortable on the idiographic rather than the nomothetic side of the controversy. For the most part, they thought of themselves as being in the humanistic, hermeneutic camp of the two-culture split rather than the science camp.

The nineteenth century saw the spread and replication, more or less, of the departmental structures and emphases outlined here—in university after university, country after country. The structures of knowledge were taking form and the universities offered them a home. In addition, the scholars in each discipline began to create extra-university organizational structures to consolidate their turf. They created journals for their discipline. They founded national and international associations for their discipline. They even created library categories to group together the books presumably belonging to their discipline. By 1914 the labels had become rather standard. They continued to spread and largely prevail until at least 1945, in many ways right into the 1960s.

In 1945, however, the world changed in very important ways, and as a result this configuration of the social science disciplines came under significant challenge. Three things occurred at that time. First, the United States became the unquestioned hegemonic power of the world-system, and thus its university system became the most influential one. Secondly, the countries of what was now being called the Third World were the locus of political turbulence and geopolitical self-assertion. Thirdly, the combination of an economically expanding world-economy and a strong increase in democratizing tendencies led to an incredible expansion of the world university system (in terms of faculty, students, and number of universities). These three changes in tandem wreaked havoc on the neat structures of knowledge that had evolved and been consolidated in the previous 100 to 150 years.

Consider first of all the impact of U.S. hegemony and Third World self-assertion. Their joint occurrence meant that the division of labor within the social sciences—history, economics, sociology, political science to study the West; anthropology and Orientalism to study the rest—was worse than useless to policymakers in the United States. The United States needed scholars who could analyze the rise of the Chinese Communist Party more than it needed scholars who could decipher Taoist scriptures, scholars who could interpret the force of African nationalist movements or the growth of an urban labor force more than scholars who could elaborate the kinship patterns of Bantu peoples. And neither Orientalists nor ethnographers could help very much in this regard.

There was a solution: train historians, economists, sociologists, and political scientists to study what was going on in these other parts of the world. This was the origin of a U.S. invention—"area studies"—which had an enormous impact on the university system in the United States (and then the world). But how could one reconcile what seemed to be relatively "idiographic" in nature—the study of a geographic or cultural "area"—and the "nomothetic" pretensions of economists, sociologists, political scientists, and by now even some historians? There emerged an ingenious intellectual solution to this dilemma: the concept of "development."

Development, as the term came to be used after 1945, was based on a familiar explanatory mechanism, a theory of stages. Those who used this concept were assuming that the separate units—"national societies"—all developed in the same fundamental way (thus satisfying the nomothetic demand) but at distinct paces (thus acknowledging how different the states seemed to be at the present time). Presto! One would then be able to introduce specific concepts to study the "others" at the present time while arguing that eventually, all states would turn out more or less the same. This sleight of hand had a practical side as well. It meant that the "most developed" state could offer itself as a model for the "less developed" states, urging the latter to engage in a sort of mimicry, and promising a higher standard of living and a more liberal governmental structure ("political development") at the end of the rainbow.

This obviously was a useful intellectual tool for the United States, and its government and foundations did all they could to encourage the expansion of area studies in the major (and even the minor) universities. Of course, at that time there was a cold war between the United States and the Soviet Union. The Soviet Union knew a good thing when it saw one. It too adopted the concept of stages of development. To be sure, Soviet scholars changed the terminology for rhetorical purposes, but the basic model was the same. They did however make one significant change: the Soviet Union, not the United States, was used as the model state in the Soviet version.

Now let us see what happens when we put together the impact of area studies with the expansion of the university system. Expansion meant more persons seeking the PhD degree. This seemed a good thing, but remember the requirement that a doctoral dissertation be an "original" contribution to knowledge. Every additional person doing research meant a more and more difficult search for originality. This difficulty encouraged academic poaching, since originality was defined as being located within the disciplines. Persons in each discipline began to carve out subspecialties in subjects that previously had belonged to other disciplines. This led to considerable overlapping and erosion of the firm boundaries between disciplines. There were now *political* sociologists and *social* historians and every other combination of which one could think.

The changes in the real world affected the self-definition of the scholars. The disciplines that formerly specialized in the non-Western world found themselves looked upon with political suspicion in the countries they had traditionally studied. As a result, the term "Orientalism" gradually disappeared, its former practitioners often becoming historians. Anthropology was forced to redefine its focus rather radically, since both the concept of the "primitive" and the reality it was supposed to reflect were disappearing. In some ways, anthropologists "came home," beginning to study as well the countries from which the majority of them originated. As for the four other disciplines, they now for the first time had faculty members specializing in parts of the world with which their curricula had not previously been concerned. The whole distinction between modern and non-modern zones was disintegrating.

All this on the one hand led to increasing uncertainty about traditional truths (what was sometimes called the "confusion" within disciplines) and on the other hand opened the way for the heretical calling into question of some of these truths, especially by the growing number of scholars who came from the non-Western world or who were part of the cadre of newly trained Western scholars bred by area studies. In the social sciences, four debates in the period 1945–70 set the scene for the emergence of world-systems analysis: the concept of core-periphery developed by the United Nations Economic Commission for Latin America (ECLA) and the subsequent elaboration of "dependency theory"; the utility of Marx's concept of the "Asiatic mode of production," a debate that took place among communist scholars; the discussion among historians of western Europe about the "transition from feudalism to capitalism"; the debate about "total history" and the triumph of the *Annales* school of historiography in France and then in many other parts of the world. None of these debates were entirely new, but each became salient in this period, and the result was a major challenge to the social sciences as they had developed up to 1945.

Core-periphery was an essential contribution of Third World scholars. True, there had been some German geographers in the 1920s who had suggested something similar, as had Romanian sociologists in the 1930s (but then Romania had a social structure similar to that of the Third World). But it was only when Raúl Prebisch and his Latin American "young Turks" at the

ECLA got to work in the 1950s that the theme became a significant focus of social science scholarship. The basic idea was very simple. International trade was not, they said, a trade between equals. Some countries were stronger economically than others (the core) and were therefore able to trade on terms that allowed surplus-value to flow from the weaker countries (the periphery) to the core. Some would later label this process "unequal exchange." This analysis implied a remedy for the inequality: actions by the states in the periphery to institute mechanisms that would equalize the exchange over the middle run.

Of course, this simple idea left out an immense amount of detail. And it therefore led to vigorous debates. There were debates between its advocates and those who held to a more traditional view of international trade notably propounded by David Ricardo in the nineteenth century: that if all follow their "comparative advantage," all will receive maximal benefits. But there were also debates among the advocates of a core-periphery model themselves. How did it work? Who really benefited from the unequal exchange? What measures would be effective to counteract it? And to what degree did these measures require political action more than economic regulation?

It was on this latter theme that "dependency" theorists developed their amended versions of core-periphery analysis. Many insisted that political revolution would be a prerequisite for any real equalizing action. Dependency theory, as it developed in Latin America, seemed on the surface to be primarily a critique of the economic policies practiced and preached by the Western powers (especially the United States). Andre Gunder Frank coined the phrase "the development of underdevelopment" to describe the results of the policies of large corporations, major states in the core zones, and interstate agencies which promoted "free trade" in the world-economy. Underdevelopment was seen not as an original state, the responsibility for which lay with the countries that were underdeveloped, but as the consequence of historical capitalism.

But the dependency theories were making as well, even perhaps to a greater extent, a critique of Latin American communist parties. These parties had espoused a theory of stages of development, arguing that Latin American countries were still feudal or "semi-feudal" and therefore had not yet undergone a "bourgeois revolution," which they said had to precede a "proletarian revolution." They deduced that Latin American radicals needed to cooperate with so-called progressive bourgeois to bring about the bourgeois revolution, in order that subsequently the country might proceed to socialism. The *dependistas*, inspired as many were by the Cuban revolution, said that the official communist line was a mere variant of the official U.S. government line (build liberal bourgeois states and a middle class first). The dependistas countered this line of the communist parties *theoretically*, by arguing that Latin American states were already part and parcel of the capitalist system and that therefore what was needed was socialist revolutions now.

Meanwhile, in the Soviet Union, in the east European communist states, and within the French and Italian communist parties, a debate was commencing about the "Asiatic mode of production." When Marx had, quite briefly, outlined the set of stages of economic structures through which humanity had evolved, he added a category which he found difficult to place in the linear progression he was describing. He called it the "Asiatic mode of production," using this term to describe the large, bureaucratic, and autocratic empires that had grown up historically in China and India at least. These were exactly the "high civilizations" of the Orientalists, whose writings Marx had been reading.

In the 1930s Stalin decided that he did not like this concept. He apparently thought it could be used as a description both of Russia historically and of the regime over which he then presided. He undertook to revise Marx by simply eliminating the concept from legitimate discussion. This omission created a lot of difficulties for Soviet (and other communist) scholars. They had to stretch arguments to make various moments of Russian and various Asian histories fit the categories of "slavery" and "feudalism," which remained legitimate. But one didn't argue with Joseph Stalin.

When Stalin died in 1953, many scholars seized the occasion to reopen the question and to suggest that maybe there was something in Marx's original idea. But doing that reopened the question of inevitable stages of development and therefore of developmentalism as an analytic framework and policy directive. It forced these scholars to reengage with non-Marxist social science in the rest of the world. Basically, this debate was the scholarly equivalent of the speech in 1956 by Khrushchev, then general secretary of the Communist Party of the Soviet Union (CPSU), at the XXth Party Congress in which he denounced the "personality cult" of Stalin and acknowledged "errors" in what had previously been unquestioned policy. Like Khrushchev's speech, the debate about the Asiatic mode of production led to doubts, and cracked the rigid conceptual inheritances of so-called orthodox Marxism. It made possible a fresh look at the analytic categories of the nineteenth century, eventually even those of Marx himself.

Simultaneously, a debate was going on among Western economic historians about the origins of modern capitalism. Most of the participants thought of themselves as Marxists, but they were not bound by party constraints. The debate had its origins in the publication in 1946 of Maurice Dobb's *Studies in the Development of Capitalism*. Dobb was an English

Marxist economic historian. Paul Sweezy, an American Marxist economist, wrote an article challenging Dobb's explanation of what both of them called "the transition from feudalism to capitalism." After that, many others entered the fray.

For those on Dobb's side of this debate, the issue was posed as endogenous versus exogenous explanations. Dobb found the roots of the transition from feudalism to capitalism in elements *internal* to the states, specifically in England. Sweezy was accused by Dobb and his supporters with crediting *external* factors, particularly trade flows, and ignoring the fundamental role of changes in the structure of production, and therefore of class relations. Sweezy and others responded by suggesting that England was in fact part of a large European-Mediterranean zone, whose transformations accounted for what was occurring in England. Sweezy used empirical data from the work of Henri Pirenne (non-Marxist Belgian historian and a forefather of the Annales school of historiography, who had famously argued that the rise of Islam led to a breakdown of trade routes with western Europe and to its economic stagnation). Those who supported Dobb said that Sweezy was overemphasizing the importance of trade (a so-called external variable) and neglecting the crucial role of the relations of production (a so-called internal variable).

The debate was important for several reasons. First of all, it seemed to have political implications (like the arguments of the dependistas). Conclusions about the mechanisms of the transition from feudalism to capitalism might have implications about a putative transition from capitalism to socialism (as indeed some of the participants explicitly pointed out). Secondly, the whole debate pushed many persons who were economists by training into looking more closely at historical data, which would open them up to some of the arguments that were being put forth by the Annales group in France. Thirdly, the debate was essentially about the unit of analysis, although this language was never used. The Sweezy side was raising questions about the meaningfulness of using a country, projected backward in time, as the unit within which social action should be analyzed, rather than some larger unit within which there was a division of labor (such as the European-Mediterranean zone). Fourthly, just like the debate about the Asiatic mode of production, this debate had the consequence of breaking the crust of a version of Marxism (analyzing relations of production only, and only within a state's borders) that had become more an ideology than a scholarly argument open to debate.

Those involved in this debate were almost all Anglophone scholars. The Annales group, by contrast, originated in France and for a long time had resonance only in those areas of the scholarly world where French cultural influence was great: Italy, Iberia, Latin America, Turkey, and certain parts of eastern Europe. The Annales group had emerged in the 1920s as a protest, led by Lucien Febvre and Marc Bloch, against the highly idiographic, highly empiricist bent of dominant French historiography, which was furthermore almost exclusively devoted to political history. The Annales group argued several counterdoctrines: Historiography should be "total"—that is, it should look at the integrated picture of historical development in all social arenas. Indeed, the economic and social underpinnings of this development were thought to be more important than the political surface, and furthermore it was possible to study them systematically, not always in the archives. And long-term generalizations about historical phenomena were in fact both possible and desirable.

In the interwar years, the influence of Annales was quite minimal. Suddenly, after 1945 it blossomed, and under the direction of the second-generation leader Fernand Braudel, it came to dominate the historiographical scene in France and then in many other parts of the world. It began for the first time to penetrate the Anglophone world. Institutionally, the Annales group presided over a new university institution in Paris, an institution built on the premise that historians had to learn from and integrate the findings of the other, traditionally more nomothetic social science disciplines, and that these in turn had to become more "historical" in their work. The Braudelian era represented both an intellectual and an institutional attack on the traditional isolation of the social science disciplines from each other.

Braudel put forward a language about social times that came to inflect further work. He criticized "event-dominated" or episodic history (*histoire événementielle*), by which he meant traditional idiographic, empiricist, political historiography, as "dust." It was dust in a double sense: that it spoke about ephemeral phenomena; and that it got into our eyes, preventing us from seeing the real underlying structures. But Braudel also criticized the search for timeless, eternal truths, considering the purely nomothetic work of many social scientists as mythical. In between these two extremes, he insisted on two other social times that the two cultures had neglected: structural time (or long-lasting, but not eternal, basic structures that underlay historical systems), and the cyclical processes within the structures (or medium-run trends, such as the expansions and contractions of the world-economy). Braudel also emphasized the issue of the unit of analysis. In his first major work, he insisted that the sixteenth-century Mediterranean, which he was studying, constituted a "world-economy" (*économie-monde*), and he made the history of this world-economy the object of his study.

All four of these debates occurred essentially in the 1950s and 1960s. They largely occurred separately, without reference one to the other, and often unbeknown one to the other. Yet collectively, they represented a major critique of the existing structures of knowledge. This intellectual upheaval was followed by the cultural shock of the revolutions of 1968. And those events brought the pieces together. The world revolution of 1968 of course primarily concerned a series of major political issues: the hegemony of the United States and its world policies, which had led it into the Vietnam war; the relatively passive attitude of the Soviet Union, which the 1968 revolutionaries saw as "collusion" with the United States; the inefficacy of the traditional Old Left movements in opposing the status quo. We shall discuss these issues later.

In the process of the upheaval, however, the revolutionaries of 1968, who had their strongest base in the world's universities, also began to raise a number of issues about the structures of knowledge. At first, they raised questions about direct political involvement of university scholars in work that supported the world status quo—such as physical scientists who did war-related research and social scientists who provided material for counterinsurgency efforts. Then they raised questions about neglected areas of work. In the social sciences, this meant the neglected histories of many oppressed groups: women, "minority" groups, indigenous populations, groups with alternative sexual dispositions or practices. But eventually, they began to raise questions about underlying epistemologies of the structures of knowledge.

It is at this point, in the early 1970s, that people began to speak explicitly about world-systems analysis as a perspective. World-systems analysis was an attempt to combine coherently concern with the unit of analysis, concern with social temporalities, and concern with the barriers that had been erected between different social science disciplines.

World-systems analysis meant first of all the substitution of a unit of analysis called the "world-system" for the standard unit of analysis, which was the national state. On the whole, historians had been analyzing national histories, economists national economies, political scientists national political structures, and sociologists national societies. World-systems analysts raised a skeptical eyebrow, questioning whether any of these objects of study really existed, and in any case whether they were the most useful loci of analysis. Instead of national states as the object of study, they substituted "historical systems" which, it was argued, had existed up to now in only three variants: minisystems; and "world-systems" of two kinds—world-economies and world-empires.

Note the hyphen in world-system and its two subcategories, world-economies and world-empires. Putting in the hyphen was intended to underline that we are talking not about systems, economies, empires *of the* (whole) world, but about systems, economies, empires *that are* a world (but quite possibly, and indeed usually, not encompassing the entire globe). This is a key initial concept to grasp. It says that in "world-systems" we are dealing with a spatial/temporal zone which cuts across many political and cultural units, one that represents an integrated zone of activity and institutions which obey certain systemic rules.

Actually, of course, the concept was initially applied primarily to the "modern world-system" which, it is argued, takes the form of a "world-economy." This concept adapted Braudel's usage in his book on the Mediterranean, and combined it with the core-periphery analysis of ECLA. The case was made that the modern world-economy was a capitalist world-economy—not the first world-economy ever but the first world-economy to survive as such for a long period and thrive, and it did this precisely by becoming fully capitalist. If the zone that was capitalist was not thought to be a state but rather a world-economy, then Dobb's so-called internal explanation of the transition from feudalism to capitalism made little sense, since it implied that the transition occurred multiple times, state by state, within the same world-system.

There was in this way of formulating the unit of analysis a further link to older ideas. Karl Polanyi, the Hungarian (later British) economic historian, had insisted on the distinction between three forms of economic organization which he called reciprocal (a sort of direct give and take), redistributive (in which goods went from the bottom of the social ladder to the top to be then returned in part to the bottom), and market (in which exchange occurred in monetary forms in a public arena). The categories of types of historical systems—minisystems, world-empires, and world-economies—seemed to be another way of expressing Polanyi's three forms of economic organization. Mini-systems utilized reciprocity, world-empires redistribution, and world-economies market exchanges.

The Prebisch categories were incorporated as well. A capitalist world-economy was said to be marked by an axial division of labor between core-like production processes and peripheral production processes, which resulted in an unequal exchange favoring those involved in core-like production processes. Since such processes tended to group together in particular countries, one could use a shorthand language by talking of core and peripheral zones (or even core and peripheral states), as long as one remembered that it was the production processes and not the states that were core-like and peripheral. In world-systems analysis, core-periphery is a *relational* concept, not a pair of terms that are reified, that is, have separate essential meanings.

What then makes a production process core-like or peripheral? It came to be seen that the answer lay in the degree to which particular processes were relatively monopolized or relatively free market. The processes that were relatively monopolized were far more profitable than those that were free market. This made the countries in which more core-like processes located wealthier. And given the unequal power of monopolized products vis-à-vis products with many producers in the market, the ultimate result of exchange between core and peripheral products was a flow of surplus-value (meaning here a large part of the real profits from multiple local productions) to those states that had a large number of core-like processes.

Braudel's influence was crucial in two regards. First, in his later work on capitalism and civilization, Braudel would insist on a sharp distinction between the sphere of the free market and the sphere of monopolies. He called only the latter capitalism and, far from being the same thing as the free market, he said that capitalism was the "anti-market." This concept marked a direct assault, both substantively and terminologically, on the conflation by classical economists (including Marx) of the market and capitalism. And secondly, Braudel's insistence on the multiplicity of social times and his emphasis on structural time—what he called the *longue durée*—became central to world-systems analysis. For world-systems analysts, the *longue durée* was the duration of a particular historical system. Generalizations about the functioning of such a system thus avoided the trap of seeming to assert timeless, eternal truths. If such systems were not eternal, then it followed that they had beginnings, lives during which they "developed," and terminal transitions.

On the one hand, this view strongly reinforced the insistence that social science had to be historical, looking at phenomena over long periods as well as over large spaces. But it also opened, or reopened, the whole question of "transitions." Dobb and Sweezy had put forward quite different explanations of the transition from feudalism to capitalism, but they shared the sense that whatever explained the transition, it was an inevitable occurrence. This conviction reflected the Enlightenment theory of progress, which had informed both classical liberal thought and classical Marxist thought. World-systems analysts began to be skeptical about the inevitability of progress. They saw progress as a possibility rather than a certainty. They wondered whether one could even describe the construction of a capitalist world-economy as progress. Their skeptical eye allowed them to incorporate within an account of human history the realities of those systems that had been grouped under the label "Asiatic mode of production." One didn't need to worry any longer whether these structures were located at some particular point on a linear historical curve. And one could now ask why the transition from feudalism to capitalism occurred at all (as though the possibility that it might not have occurred were a real alternative), and not assume its inevitability and look merely at what were the immediate causes of the transition.

The third element in world-systems analysis was its lack of deference to the traditional boundaries of the social sciences. World-systems analysts analyzed total social systems over the *longue durée*. Thus they felt free to analyze materials that had once been considered the exclusive concern of historians or economists or political scientists or sociologists, and to analyze them within a single analytical frame. The resulting world-systems analysis was not multidisciplinary, since the analysts were not recognizing the intellectual legitimacy of these disciplines. They were being unidisciplinary.

Of course, the triple set of critiques—world-systems rather than states as units of analysis, insistence on the *longue durée*, and a unidisciplinary approach—represented an attack on many sacred cows. It was quite expectable that there would be a counterattack. It came, immediately and vigorously, from four camps: nomothetic positivists, orthodox Marxists, state autonomists, and cultural particularists. The main criticism of each has been that its basic premises have not been accepted by world-systems analysis. This is of course correct but hardly an intellectually devastating argument.

Nomothetic positivists have argued that world-systems analysis is essentially narrative, its theorizing based on hypotheses that have not been rigorously tested. Indeed, they have often argued that many of the propositions of world-systems analysis are not disprovable, and therefore inherently invalid. In part, this is a critique of insufficient (or nonexistent) quantification of the research. In part, this is a critique of insufficient (or nonexistent) reduction of complex situations to clearly defined and simple variables. In part, this is a suggestion of the intrusion of value-laden premises into the analytic work.

Of course, this is in effect the reverse of the critique by world-systems analysis of nomothetic positivism. World-systems analysts insist that rather than reduce complex situations to simpler variables, the effort should be to complexify and contextualize all so-called simpler variables in order to understand real social situations. World-systems analysts are not against quantification per se (they would quantify what can usefully be quantified), but (as the old joke about the drunk teaches us) they feel that one should not look for the lost key only under the street lamp just because the light is better (where there are more quantifiable data). One searches for the most appropriate data in function of the intellectual problem; one doesn't choose the problem because hard, quantitative data are available. This debate can be what the French call a dialogue of the deaf. In the end, the issue is not an abstract issue about correct methodology but is about whether world-systems analysts or rather nomothetic positivists can offer more plausible explanations of historical reality and therefore throw more light on long-term, large-scale social change.

If nomothetic positivists sometimes give the impression of insisting on a cramped and humorless set of intellectual constraints, so-called orthodox Marxists can give them a run for their money. Orthodox Marxism is mired in the imagery of nineteenth-century social science, which it shares with classical liberalism: capitalism is inevitable progress over feudalism; the factory system is the quintessential capitalist production process; social processes are linear; the economic base controls the less fundamental political and cultural superstructure. The critique by Robert Brenner, an orthodox Marxist economic historian, of world-systems analysis is a good example of this point of view.

The Marxist criticism of world-systems analysis is therefore that in discussing a core-peripheral axis of the division of labor, it is being circulationist and neglecting the productionist base of surplus-value and the class struggle between the bourgeoisie and the proletariat as the central explanatory variable of social change. World-systems analysis is charged with failing to treat non-wage-labor as anachronistic and en route to extinction. Once again, the critics are inverting criticisms leveled at them. World-systems analysts have insisted that wage-labor is only one of the many forms of labor control within a capitalist system, and not at all the most profitable one from the point of view of capital. They have insisted that the class struggle and all other forms of social struggle can be understood and evaluated only within the world-system taken as a whole. And they have insisted that states in the capitalist world-economy do not have the autonomy or isolation which makes it possible to label them as having a particular mode of production.

The state-autonomist critique is a bit the obverse of the orthodox Marxist critique. Whereas the orthodox Marxists argue that world-systems analysis ignores the determining centrality of the mode of production, the state-autonomists argue that world-systems analysis makes the political sphere into a zone whose realities are derived from, determined by, the economic base. The critiques of the sociologist Theda Skocpol and the political scientist Aristide Zolberg argue this case, inspired by the earlier work of the German historian Otto Hintze. This group insists that one cannot explain what goes on at the state level or the interstate level simply by thinking of these arenas as part of a capitalist world-economy. The motivations that govern action in these arenas, they say, are autonomous and respond to pressures other than behavior in the market.

Finally, with the rise of the various "post"-concepts linked to cultural studies, world-systems analysis has been attacked with arguments analogous to those used by the state-autonomists. World-systems analysis is said to derive the superstructure (in this case, the cultural sphere) from its economic base and to disregard the central and autonomous reality of the cultural sphere (see for example the critique of the cultural sociologist Stanley Aronowitz). World-systems analysts are accused of having the faults both of nomothetic positivism and of orthodox Marxism, although world-systems analysts see themselves as critics of both these schools of thought. World-systems analysis is charged with being just one more version of "grand narrative." Despite the claim that world-systems analysis is devoted to "total history," it is taxed with economism, that is, with giving priority to the economic sphere over other spheres of human activity. Despite its early and strong attack against Eurocentrism, it is accused of being Eurocentric by not accepting the irreducible autonomy of different cultural identities. In short, it neglects the centrality of "culture."

Of course, world-systems analysis is indeed a grand narrative. World-systems analysts argue that all forms of knowledge activity necessarily involve grand narratives, but that some grand narratives reflect reality more closely than others. In their insistence on total history and unidisciplinarity, world-systems analysts refuse to substitute a so-called cultural base for an economic base. Rather, as we have said, they seek to abolish the lines between economic, political, and sociocultural modes of analysis. Above all, world-systems analysts do not wish to throw the baby out with the bath. To be against scientism is not to be against science. To be against the concept of timeless structures does not mean that (time-bound) structures do not exist. To feel that the current organization of the disciplines is an obstacle to overcome does not mean that there does not exist collectively arrived-at knowledge (however provisional or heuristic). To be against particularism disguised as universalism does not mean that all views are equally valid and that the search for a pluralistic universalism is futile.

What these four critiques have in common is the sense that world-systems analysis lacks a central actor in its recounting of history. For nomothetic positivism, the actor is the individual, *homo rationalis*. For orthodox Marxism, the actor is the industrial proletariat. For the state-autonomists, it is political man. For cultural particularists, each of us (different from all the others) is an actor engaged in autonomous discourse with everyone else. For world-systems analysis, these actors, just like the long list of structures that one can enumerate, are the products of a process. They are not primordial atomic elements, but part of a systemic mix out of which they emerged and upon which they act. They act freely, but their freedom is constrained by their biographies and the social prisons of which they are a part. Analyzing their prisons liberates them to the maximum degree that they can be liberated. To the extent that we each analyze our social prisons, we liberate ourselves from their constraints to the extent that we can be liberated.

Lastly, it must be emphasized that for world-systems analysts, time and space—or rather that linked compound TimeSpace—are not unchanging external realities which are somehow just there, and within whose frames social reality exists. TimeSpaces are constantly evolving constructed realities whose construction is part and parcel of the social reality we are analyzing. The historical systems within which we live are indeed systemic, but they are historical as well. They remain the same over time yet are never the same from one minute to the next. This is a paradox, but not a contradiction. The ability to deal with this paradox, which we cannot circumvent, is the principal task of the historical social sciences. This is not a conundrum, but a challenge.

# 2 The Modern World-System as a Capitalist World-Economy

## *Production, Surplus Value, and Polarization*

THE WORLD IN WHICH we are now living, the modern world-system, had its origins in the sixteenth century. This world-system was then located in only a part of the globe, primarily in parts of Europe and the Americas. It expanded over time to cover the whole globe. It is and has always been a *world-economy*. It is and has always been a *capitalist* world-economy. We should begin by explaining what these two terms, world-economy and capitalism, denote. It will then be easier to appreciate the historical contours of the modern world-system—its origins, its geography, its temporal development, and its contemporary structural crisis.

What we mean by a world-economy (Braudel's *économie-monde*) is a large geographic zone within which there is a division of labor and hence significant internal exchange of basic or essential goods as well as flows of capital and labor. A defining feature of a world-economy is that it is *not* bounded by a unitary political structure. Rather, there are many political units inside the world-economy, loosely tied together in our modern world-system in an interstate system. And a world-economy contains many cultures and groups—practicing many religions, speaking many languages, differing in their everyday patterns. This does not mean that they do not evolve some common cultural patterns, what we shall be calling a geoculture. It does mean that neither political nor cultural homogeneity is to be expected or found in a world-economy. What unifies the structure most is the division of labor which is constituted within it.

Capitalism is not the mere existence of persons or firms producing for sale on the market with the intention of obtaining a profit. Such persons or firms have existed for thousands of years all across the world. Nor is the existence of persons working for wages sufficient as a definition. Wage-labor has also been known for thousands of years. We are in a capitalist system only when the system gives priority to the *endless* accumulation of capital. Using such a definition, only the modern world-system has been a capitalist system. Endless accumulation is a quite simple concept: it means that people and firms are accumulating capital in order to accumulate still more capital, a process that is continual and endless. If we say that a system "gives priority" to such endless accumulation, it means that there exist structural mechanisms by which those who act with other motivations are penalized in some way, and are eventually eliminated from the social scene, whereas those who act with the appropriate motivations are rewarded and, if successful, enriched.

A world-economy and a capitalist system go together. Since world-economies lack the unifying cement of an overall political structure or a homogeneous culture, what holds them together is the efficacy of the division of labor. And this efficacy is a function of the constantly expanding wealth that a capitalist system provides. Until modern times, the world-economies that had been constructed either fell apart or were transformed *manu militari* into world-empires. Historically, the only world-economy to have survived for a long time has been the modern world-system, and that is because the capitalist system took root and became consolidated as its defining feature.

Conversely, a capitalist system cannot exist within any framework except that of a world-economy. We shall see that a capitalist system requires a very special relationship between economic producers and the holders of political power. If the latter are too strong, as in a world-empire, their interests will override those of the economic producers, and the endless accumulation of capital will cease to be a priority. Capitalists need a large market (hence minisystems are too narrow for them) but they also need a multiplicity of states, so that they can gain the advantages of working with states but also can circumvent states hostile to their interests in favor of states friendly to their interests. Only the existence of a multiplicity of states within the overall division of labor assures this possibility.

A capitalist world-economy is a collection of many institutions, the combination of which accounts for its processes, and all of which are intertwined with each other. The basic institutions are the market, or rather the markets; the firms that compete in the markets; the multiple states, within an interstate system; the households; the classes; and the status-groups (to use Weber's term, which some people in recent years have renamed the "identities"). They are all institutions that have been created within the framework of the capitalist world-economy. Of course, such institutions have some similarities to institutions that existed in prior historical systems to which we have given the same or similar names. But using the same name to describe institutions located in different historical systems quite often confuses rather than clarifies analysis. It is better to think of the set of institutions of the modern world-system as contextually specific to it.

Let us start with markets, since these are normally considered the essential feature of a capitalist system. A market is both a concrete local structure in which individuals or firms sell and buy goods, and a virtual institution across space where the same kind of exchange occurs. How large and widespread any virtual market is depends on the realistic alternatives that sellers and buyers have at a given time. In principle, in a capitalist world-economy the virtual market exists in the world-economy as a whole. But as we shall see, there are often interferences with these boundaries, creating narrower and more "protected" markets. There are of course separate virtual markets for all commodities as well as for capital and different kinds of labor. But over time, there can also be said to exist a single virtual world market for all the factors of production combined, despite all the barriers that exist to its free functioning. One can think of this complete virtual market as a magnet for all producers and buyers, whose pull is a constant political factor in the decision-making of everyone—the states, the firms, the households, the classes, and the status-groups (or identities). This complete virtual world market is a reality in that it influences all decision making, but it never functions fully and freely (that is, without interference). The totally free market functions as an ideology, a myth, and a constraining influence, but never as a day-to-day reality.

One of the reasons it is not a day-to-day reality is that a totally free market, were it ever to exist, would make impossible the endless accumulation of capital. This may seem a paradox because it is surely true that capitalism cannot function without markets, and it is also true that capitalists regularly say that they favor free markets. But capitalists in fact need not totally free markets but rather markets that are only partially free. The reason is clear. Suppose there really existed a world market in which all the factors of production were totally free, as our textbooks in economics usually define this—that is, one in which the factors flowed without restriction, in which there were a very large number of buyers and a very large number of sellers, and in which there was perfect information (meaning that all sellers and all buyers knew the exact state of all costs of production). In such a perfect market, it would always be possible for the buyers to bargain down the sellers to an absolutely minuscule level of profit (let us think of it as a penny), and this low level of profit would make the capitalist game entirely uninteresting to producers, removing the basic social underpinnings of such a system.

What sellers always prefer is a monopoly, for then they can create a relatively wide margin between the costs of production and the sales price, and thus realize high rates of profit. Of course, perfect monopolies are extremely difficult to create, and rare, but quasi-monopolies are not. What one needs most of all is the support of the machinery of a relatively strong state, one which can enforce a quasi-monopoly. There are many ways of doing this. One of the most fundamental is the system of patents which reserves rights in an "invention" for a specified number of years. This is what basically makes "new" products the most expensive for consumers and the most profitable for their producers. Of course, patents are often violated and in any case they eventually expire, but by and large they protect a quasi-monopoly for a time. Even so, production protected by patents usually remains only a quasi-monopoly, since there may be other similar products on the market that are not covered by the patent. This is why the normal situation for so-called leading products (that is, products that are both new and have an important share of the overall world market for commodities) is an oligopoly rather than an absolute monopoly. Oligopolies are however good enough to realize the desired high rate of profits, especially since the various firms often collude to minimize price competition.

Patents are not the only way in which states can create quasi-monopolies. State restrictions on imports and exports (so-called protectionist measures) are another. State subsidies and tax benefits are a third. The ability of strong states to use their muscle to prevent weaker states from creating counter-protectionist measures is still another. The role of the states as large-scale buyers of certain products willing to pay excessive prices is still another. Finally, regulations which impose a burden on producers may be relatively easy to absorb by large producers but crippling to smaller producers, an asymmetry which results in the elimination of the smaller producers from the market and thus increases the degree of oligopoly. The modalities by which states interfere with the virtual market are so extensive that they constitute a fundamental factor in determining prices and profits. Without such interferences, the capitalist system could not thrive and therefore could not survive.

Nonetheless, there are two inbuilt anti-monopolistic features in a capitalist world-economy. First of all, one producer's monopolistic advantage is another producer's loss. The losers will of course struggle politically to remove the advantages of the winners. They can do this by political struggle within the states where the monopolistic producers are located, appealing to doctrines of a free market and offering support to political leaders inclined to end a particular monopolistic advantage. Or they do this by persuading other states to defy the world market monopoly by using their state power to sustain competitive producers. Both methods are used. Therefore, over time, every quasi-monopoly is undone by the entry of further producers into the market.

Quasi-monopolies are thus self-liquidating. But they last long enough (say thirty years) to ensure considerable accumulation of capital by those who control the quasi-monopolies. When a quasi-monopoly does cease to exist, the large accumulators of capital simply move their capital to new leading products or whole new leading industries. The result is a cycle of leading products. Leading products have moderately short lives, but they are constantly succeeded by other leading industries. Thus the game continues. As for the once-leading industries past their prime, they become more and more "competitive," that is, less and less profitable. We see this pattern in action all the time.

Firms are the main actors in the market. Firms are normally the competitors of other firms operating in the same virtual market. They are also in conflict with those firms from whom they purchase inputs and those firms to which they sell their products. Fierce intercapitalist rivalry is the name of the game. And only the strongest and the most agile survive. One must remember that bankruptcy, or absorption by a more powerful firm, is the daily bread of capitalist enterprises. Not all capitalist entrepreneurs succeed in accumulating capital. Far from it. If they all succeeded, each would be likely to obtain very little capital. So, the repeated "failures" of firms not only weed out the weak competitors but are a condition sine qua non of the endless accumulation of capital. That is what explains the constant process of the concentration of capital.

To be sure, there is a downside to the growth of firms, either horizontally (in the same product), vertically (in the different steps in the chain of production), or what might be thought of as orthogonally (into other products not closely related). Size brings down costs through so-called economies of scale. But size adds costs of administration and coordination, and multiplies the risks of managerial inefficiencies. As a result of this contradiction, there has been a repeated zigzag process of firms getting larger and then getting smaller. But it has not at all been a simple up-and-down cycle. Rather, worldwide there has been a secular increase in the size of firms, the whole historical process taking the form of a ratchet, two steps up then one step back, continuously. The size of firms also has direct political implications. Large size gives firms more political clout but also makes them more vulnerable to political assault—by their competitors, their employees, and their consumers. But here too the bottom line is an upward ratchet, toward more political influence over time.

The axial division of labor of a capitalist world-economy divides production into core-like products and peripheral products. Core-periphery is a relational concept. What we mean by core-periphery is the degree of profitability of the production processes. Since profitability is directly related to the degree of monopolization, what we essentially mean by core-like production processes is those that are controlled by quasi-monopolies. Peripheral processes are then those that are truly competitive. When exchange occurs, competitive products are in a weak position and quasi-monopolized products are in a strong position. As a result, there is a constant flow of surplus-value from the producers of peripheral products to the producers of core-like products. This has been called unequal exchange.

To be sure, unequal exchange is not the only way of moving accumulated capital from politically weak regions to politically strong regions. There is also plunder, often used extensively during the early days of incorporating new regions into the world-economy (consider, for example, the conquistadores and gold in the Americas). But plunder is self-liquidating. It is a case of killing the goose that lays the golden eggs. Still, since the consequences are middle-term and the advantages short-term, there still exists much plunder in the modern world-system, although we are often "scandalized" when we learn of it. When Enron goes bankrupt, after procedures that have moved enormous sums into the hands of a few managers, that is in fact plunder. When "privatizations" of erstwhile state property lead to its being garnered by mafia-like businessmen who quickly leave the country with destroyed enterprises in their wake, that is plunder. Self-liquidating, yes, but only after much damage has been done to the world's productive system, and indeed to the health of the capitalist world-economy.

Since quasi-monopolies depend on the patronage of strong states, they are largely located—juridically, physically, and in terms of ownership—within such states. There is therefore a geographical consequence of the core-peripheral relationship. Core-like processes tend to group themselves in a few states and to constitute the bulk of the production activity in such states. Peripheral processes tend to be scattered among a large number of states and to constitute the bulk of the production activity in these states. Thus, for shorthand purposes we can talk of core states and peripheral states, so long as we remember that we are really talking of a relationship between production processes. Some states have a near even mix of core-like and peripheral products. We may call them semiperipheral states. They have, as we shall see, special political properties. It is however not meaningful to speak of semiperipheral production processes.

Since, as we have seen, quasi-monopolies exhaust themselves, what is a core-like process today will become a peripheral process tomorrow. The economic history of the modern world-system is replete with the shift, or downgrading, of products, first to semiperipheral countries, and then to peripheral ones. If circa 1800 the production of textiles was possibly the preeminent core-like production process, by 2000 it was manifestly one of the least profitable peripheral production processes. In 1800 these textiles were produced primarily in a very few countries (notably England and some other countries of northwestern Europe); in 2000 textiles were produced in virtually every part of the world-system, especially cheap textiles. The process has been repeated with many other products. Think of steel, or automobiles, or even computers. This kind of shift has no effect on the structure of the system itself. In 2000 there were other core-like processes (e.g. aircraft production or genetic engineering) which were concentrated in a few countries. There have always been new core-like processes to replace those which become more competitive and then move out of the states in which they were originally located.

The role of each state is very different vis-à-vis productive processes depending on the mix of core-peripheral processes within it. The strong states, which contain a disproportionate share of core-like processes, tend to emphasize their role of protecting the quasi-monopolies of the core-like processes. The very weak states, which contain a disproportionate share of peripheral production processes, are usually unable to do very much to affect the axial division of labor, and in effect are largely forced to accept the lot that has been given them.

The semiperipheral states which have a relatively even mix of production processes find themselves in the most difficult situation. Under pressure from core states and putting pressure on peripheral states, their major concern is to keep themselves from slipping into the periphery and to do what they can to advance themselves toward the core. Neither is easy, and both require considerable state interference with the world market. These semiperipheral states are the ones that put forward most aggressively and most publicly so-called protectionist policies. They hope thereby to "protect" their production processes from the competition of stronger firms outside, while trying to improve the efficiency of the firms inside so as to compete better in the world market. They are eager recipients of the relocation of erstwhile leading products, which they define these days as achieving "economic development." In this effort, their competition comes not from the core states but from other semiperipheral states, equally eager to be the recipients of relocation which cannot go to all the eager aspirants simultaneously and to the same degree. In the beginning of the twenty-first century, some obvious countries to be labeled semiperipheral are South Korea, Brazil, and India—countries with strong enterprises that export products (for example steel, automobiles, pharmaceuticals) to peripheral zones, but that also regularly relate to core zones as importers of more "advanced" products.

The normal evolution of the leading industries—the slow dissolution of the quasi-monopolies—is what accounts for the cyclical rhythms of the world-economy. A major leading industry will be a major stimulus to the expansion of the world-economy and will result in considerable accumulation of capital. But it also normally leads to more extensive employment in the world-economy, higher wage-levels, and a general sense of relative prosperity. As more and more firms enter the market of the erstwhile quasi-monopoly, there will be "overproduction" (that is, too much production for the real effective demand at a given time) and consequently increased price competition (because of the demand squeeze), thus lowering the rates of profit. At some point, a buildup of unsold products results, and consequently a slowdown in further production.

When this happens, we tend to see a reversal of the cyclical curve of the world-economy. We talk of stagnation or recession in the world-economy. Rates of unemployment rise worldwide. Producers seek to reduce costs in order to maintain their share of the world market. One of the mechanisms is relocation of the production processes to zones that have historically lower wages, that is, to semiperipheral countries. This shift puts pressure on the wage levels in the processes still remaining in core zones, and wages there tend to become lower as well. Effective demand which was at first lacking because of overproduction now becomes lacking because of a reduction in earnings of the consumers. In such a situation, not all producers necessarily lose out. There is obviously acutely increased competition among the diluted oligopoly that is now engaged in these production processes. They fight each other furiously, usually with the aid of their state machineries. Some states and some producers succeed in "exporting unemployment" from one core state to the others. Systemically, there is contraction, but certain core states and especially certain semiperipheral states may seem to be doing quite well.

The process we have been describing—expansion of the world-economy when there are quasi-monopolistic leading industries and contraction in the world-economy when there is a lowering of the intensity of quasi-monopoly—can be drawn as an up-and-down curve of so-called A- (expansion) and B- (stagnation) phases. A cycle consisting of an A-phase followed by a B-phase is sometimes referred to as a Kondratieff cycle, after the economist who described this phenomenon with clarity in the beginning of the twentieth century. Kondratieff cycles have up to now been more or less fifty to sixty years in length. Their exact length depends on the political measures taken by the states to avert a B-phase, and especially the measures to achieve recuperation from a B-phase on the basis of new leading industries that can stimulate a new A-phase.

A Kondratieff cycle, when it ends, never returns the situation to where it was at the beginning of the cycle. That is because what is done in the B-phase in order to get out of it and return to an A-phase changes in some important way the parameters of the world-system. The changes that solve the immediate (or short-run) problem of inadequate expansion of the world-economy (an essential element in maintaining the possibility of the endless accumulation of capital) restore a middle-run equilibrium but begin to create problems for the structure in the long run. The result is what we may call a secular trend. A secular trend should be thought of as a curve whose abscissa (or x-axis) records time and whose ordinate (or y-axis) measures a phenomenon by recording the proportion of some group that has a certain characteristic. If over time the percentage is moving upward in an overall linear fashion, it means by definition (since the ordinate is in percentages) that at some point it cannot continue to do so. We call this reaching the asymptote, or 100 percent point. No characteristic can be ascribed to more than 100 percent of any group. This means that as we solve the middle-run problems by moving up on the curve, we will eventually run into the long-run problem of approaching the asymptote.

Let us suggest one example of how this works in a capitalist world-economy. One of the problems we noted in the Kondratieff cycles is that at a certain point major production processes become less profitable, and these processes begin to relocate in order to reduce costs. Meanwhile, there is increasing unemployment in core zones, and this affects global effective demand. Individual firms reduce their costs, but the collectivity of firms finds it more difficult to find sufficient customers. One way to restore a sufficient level of world effective demand is to increase the pay levels of ordinary workers in core zones, something which has frequently occurred at the latter end of Kondratieff B-periods. This thereby creates the kind of effective demand that is necessary to provide sufficient customers for new leading products. But of course higher pay levels may mean lesser profits for the entrepreneurs. At a world level this can be compensated for by expanding the pool of wage workers elsewhere in the world, who are willing to work at a lower level of wages. This can be done by drawing new persons into the wage-labor pool, for whom the lower wage represents in fact an increase in real income. But of course every time one draws "new" persons into the wage-labor pool, one reduces the number of persons remaining outside the wage-labor pool. There will come a time when the pool is diminished to the point where it no longer exists effectively. We are reaching the asymptote. We shall return to this issue in the last chapter when we discuss the structural crisis of the twenty-first century.

Obviously, a capitalist system requires that there be workers who provide the labor for the productive processes. It is often said that these laborers are proletarians, that is, wage-workers who have no alternative means of support (because they are landless and without monetary or property reserves). This is not quite accurate. For one thing, it is unrealistic to think of workers as isolated individuals. Almost all workers are linked to other persons in household structures that normally group together persons of both sexes and of different age-levels. Many, perhaps most, of these household structures can be called families, but family ties are not necessarily the only mode by which households can be held together. Households often have common residences, but in fact less frequently than one thinks.

A typical household consists of three to ten persons who, over a long period (say thirty years or so), pool multiple sources of income in order to survive collectively. Households are not usually egalitarian structures internally nor are they unchanging structures (persons are born and die, enter or leave households, and in any case grow older and thus tend to alter their economic role). What distinguishes a household structure is some form of obligation to provide income for the group and to share in the consumption resulting from this income. Households are quite different from clans or tribes or other quite large and extended entities, which often share obligations of mutual security and identity but do not regularly share income. Or if there exist such large entities which are income-pooling, they are dysfunctional for the capitalist system.

We first must look at what the term "income" covers. There are in fact generically five kinds of income in the modern world-system. And almost all households seek and obtain all five kinds, although in different proportions (which turns out to be very important). One obvious form is wage-income, by which is meant payment (usually in money form) by persons outside the household for work of a member of the household that is performed outside the household in some production process. Wage-income may be occasional or regular. It may be payment by time employed or by work accomplished (piecework). Wage-income has the advantage to the employer that it is "flexible" (that is, continued work is a function of the employer's need), although the trade union, other forms of syndical action by workers, and state legislation have often limited employers' flexibility in many ways. Still, employers are almost never obligated to provide lifetime support to particular workers. Conversely, this system has the disadvantage to the employer that when more workers are needed, they may not be readily available for employment, especially if the economy is expanding. That is, in a system of wage-labor, the employer is trading not being required to pay workers in periods when they are not needed for the guarantee that the workers are available when they are needed.

A second obvious source of household income is subsistence activity. We usually define this type of work too narrowly, taking it to mean only the efforts of rural persons to grow food and produce necessities for their own consumption without passing through a market. This is indeed a form of subsistence production, and this kind of work has of course been on a sharp decline in the modern world-system, which is why we often say that subsistence production is disappearing. By using such a narrow definition, we are however neglecting the numerous ways in which subsistence activity is actually increasing in the modern world. When someone cooks a meal or washes dishes at home, this is subsistence production. When a homeowner assembles furniture bought from a store, this is subsistence production. And when a professional uses a computer to send an e-mail which, in an earlier day, a (paid) secretary would have typed, he or she is engaged in subsistence production. Subsistence production is a large part of household income today in the most economically wealthy zones of the capitalist world-economy.

A third kind of household income we might generically call petty commodity production. A petty commodity is defined as a product produced within the confines of the household but sold for cash on a wider market. Obviously, this sort of production continues to be very widespread in the poorer zones of the world-economy but is not totally absent anywhere. In richer zones we often call it free-lancing. This kind of activity involves not only the marketing of produced goods (including of course intellectual goods) but also petty marketing. When a small boy sells on the street cigarettes or matches one by one to consumers who cannot afford to buy them in the normal quantity that is packaged, this boy is engaged in petty-commodity production, the production activity being simply the disassembly of the larger package and its transport to the street market.

A fourth kind of income is what we can generically call rent. Rent can be drawn from some major capital investment (offering urban apartments for rent, or rooms within apartments) or from locational advantage (collecting a toll on a private bridge) or from capital ownership (clipping coupons on bonds, earning interest on a savings account). What makes it rent is that it is ownership and not work of any kind that makes possible the income.

Finally, there is a fifth kind of income, which in the modern world we call transfer payments. These may be defined as income that comes to an individual by virtue of a defined obligation of someone else to provide this income. The transfer payments may come from persons close to the household, as when gifts or loans are given from one generation to the other at the time of birth, marriage, or death. Such transfer payments between households may be made on the basis of reciprocity (which in theory ensures no extra income over a lifetime but tends to smooth out liquidity needs). Or transfer payments may occur through the efforts of the state (in which case one's own money may simply be returning at a different moment in time), or through an insurance scheme (in which one may in the end benefit or lose), or through redistribution from one economic class to another.

As soon as we think about it, we all are familiar with the income-pooling that goes on in households. Picture a middle-class American family, in which the adult male has a job (and perhaps moonlights at a second), the adult female is a caterer operating out of her home, the teenage son has a paper route, and the twelve-year-old daughter babysits. Add in perhaps the grandmother who draws a widow's pension and who also occasionally babysits for a small child, and the room above the garage that is rented out. Or picture the working-class Mexican household in which the adult male has migrated to the United States illegally and is sending home money, the adult female is cultivating a plot at home, the teenage girl is working as a domestic (paid in money and in kind) in a wealthy Mexican's home, and the subteen boy is peddling small items in the town market after school (or instead of school). Each of us can elaborate many more such combinations.

In actual practice, few households are without all five kinds of income. But one should notice right away that the persons within the household who tend to provide the income may correlate with sex or age categories. That is to say, many of these tasks are gender- and age-defined. Wage-labor was for a long time largely considered the province of males between the ages of fourteen or eighteen to sixty or sixty-five. Subsistence and petty-commodity production have been for the most part defined as the province of adult women and of children and the aged. State transfer income has been largely linked to wage earning, except for certain transfers relating to child rearing. Much political activity of the last hundred years has been aimed at overcoming the gender specificity of these definitions.

As we have already noted, the relative importance of the various forms of income in particular households has varied widely. Let us distinguish two major varieties: the household where wage-income accounts for 50 percent or more of the total lifetime income, and the household where it accounts for less. Let us call the former a "proletarian household" (because it seems to be heavily dependent on wage-income, which is what the term proletarian is supposed to invoke); and let us then call the latter a "semiproletarian household" (because there is doubtless at least some wage-income for most members of it). If we do this, we can see that an employer has an advantage in employing those wage-laborers who are in a semiproletarian household. Whenever wage-labor constitutes a substantial component of household income, there is necessarily a floor for how much the wage-earner can be paid. It must be an amount that represents at least a proportionate share of the reproduction costs of the household. This is what we can think of as an *absolute* minimum wage. If, however, the wage-earner is ensconced in a household that is only semiproletarian, the wage-earner can be paid a wage *below* the absolute minimum wage, without necessarily endangering the survival of the household. The difference can be made up by additional income provided from other sources and usually by other members of the household. What we see happening in such cases is that the other producers of income in the household are in effect transferring surplus-value to the employer of the wage-earner over and above whatever surplus-value the wage-earner himself is transferring, by permitting the employer to pay less than the absolute minimum wage.

It follows that in a capitalist system employers would in general prefer to employ wage-workers coming from semiproletarian households. There are however two pressures working in the other direction. One is the pressure of the wage-workers themselves who seek to be "proletarianized," because that in effect means being better paid. And one is the contradictory pressure on the employers themselves. Against their individual need to lower wages, there is their collective longer-term need to have a large enough effective demand in the world-economy to sustain the market for their products. So over time, as a result of these two very different pressures, there is a slow increase in the number of households that are proletarianized. Nonetheless, this description of the long-term trend is contrary to the traditional social science picture that capitalism as a system requires primarily proletarians as workers. If this were so, it would be difficult to explain why, after four to five hundred years, the proportion of proletarian workers is not much higher than it is. Rather than think of proletarianization as a capitalist necessity, it would be more useful to think of it as a locus of struggle, whose outcome has been a slow if steady increase, a secular trend moving toward its asymptote.

There are classes in a capitalist system, since there are clearly persons who are differently located in the economic system with different levels of income who have differing interests. For example, it is obviously in the interest of workers to seek an increase in their wages, and it is equally obviously in the interest of employers to resist these increases, at least in general. But, as we have just seen, wage-workers are ensconced in households. It makes no sense to think of the workers belonging to one class and other members of their household to another. It is obviously households, not individuals, that are located within classes. Individuals who wish to be class-mobile often find that they must withdraw from the households in which they are located and locate themselves in other households, in order to achieve such an objective. This is not easy but it is by no means impossible.

Classes however are not the only groups within which households locate themselves. They are also members of status-groups or identities. (If one calls them status-groups, one is emphasizing how they are perceived by others, a sort of objective criterion. If one calls them identities, one is emphasizing how they perceive themselves, a sort of subjective criterion. But under one name or the other, they are an institutional reality of the modern world-system.) Status-groups or identities are ascribed labels, since we are born into them, or at least we usually think we are born into them. It is on the whole rather difficult to join such groups voluntarily, although not impossible. These status-groups or identities are the numerous "peoples" of which all of us are members—nations, races, ethnic groups, religious communities, but also genders and categories of sexual preferences. Most of these categories are often alleged to be anachronistic leftovers of pre-modern times. This is quite wrong as a premise. Membership in status-groups or identities is very much a part of modernity. Far from dying out, they are actually growing in importance as the logic of a capitalist system unfolds further and consumes us more and more intensively.

If we argue that households locate themselves in a class, and all their members share this location, is this equally true of status-groups or identities? There does exist an enormous pressure within households to maintain a common identity, to be part of a single status-group or identity. This pressure is felt first of all by persons who are marrying and who are required, or at least pressured, to look within the status-group or identity for a partner. But obviously, the constant movement of individuals within the modern world-system plus the normative pressures to ignore status-group or identity membership in favor of meritocratic criteria have led to a considerable mixing of original identities within the framework of households. Nonetheless, what tends to happen in each household is an evolution toward a single identity, the emergence of new, often barely articulated status-group identities that precisely reify what began as a mixture, and thereby reunify the household in terms of status-group identities. One element in the demand to legitimate gay marriages is this felt pressure to reunify the identity of the household.

Why is it so important for households to maintain singular class and status-group identities, or at least pretend to maintain them? Such a homogenization of course aids in maintaining the unity of a household as an income-pooling unit and in overcoming any centrifugal tendencies that might arise because of internal inequalities in the distribution of consumption and decision making. It would however be a mistake to see this tendency as primarily an internal group defense mechanism. There are important benefits to the overall world-system from the homogenizing trends within household structures.

Households serve as the primary socializing agencies of the world-system. They seek to teach us, and particularly the young, knowledge of and respect for the social rules by which we are supposed to abide. They are of course seconded by state agencies such as schools and armies as well as by religious institutions and the media. But none of these come close to the households in actual impact. What however determines how the households will socialize their members? Largely how the secondary institutions frame the issues for the households, and their ability to do so effectively depends on the relative homogeneity of the households—that is, they have and see themselves as having a defined role in the historical social system. A household that is certain of its status-group identity—its nationality, its race, its religion, its ethnicity, its code of sexuality—knows exactly how to socialize its members. One whose identity is less certain but that tries to create a homogenized, even if novel, identity can do almost as well. A household that would openly avow a permanently split identity would find the socialization function almost impossible to do, and might find it difficult to survive as a group.

Of course, the powers that be in a social system always hope that socialization results in the acceptance of the very real hierarchies that are the product of the system. They also hope that socialization results in the internalization of the myths, the rhetoric, and the theorizing of the system. This does happen in part but never in full. Households also socialize members into rebellion, withdrawal, and deviance. To be sure, up to a point even such antisystemic socialization can be useful to the system by offering an outlet for restless spirits, provided that the overall system is in relative equilibrium. In that case, one can anticipate that the negative socializations may have at most a limited impact on the functioning of the system. But when the historical system comes into structural crisis, suddenly such antisystemic socializations can play a profoundly unsettling role for the system.

Thus far, we have merely cited class identification and status-group identification as the two alternative modes of collective expression for households. But obviously there are multiple kinds of status-groups, not always totally consonant one with the other. Furthermore, as historical time has moved on, the number of kinds of status-groups has grown, not diminished. In the late twentieth century, people often began to claim identities in terms of sexual preferences which were not a basis for household construction in previous centuries. Since we are all involved in a multiplicity of status-groups or identities, the question arises whether there is a priority order of identities. In case of conflicts, which should prevail? Which does prevail? Can a household be homogeneous in terms of one identity but not in terms of another? The answer obviously is yes, but what are the consequences?

We must look at the pressures on households coming from outside. Most of the status-groups have some kind of trans-household institutional expression. And these institutions place direct pressure on the households not merely to conform to their norms and their collective strategies but to give them priority. Of the trans-household institutions, the states are the most successful in influencing the households because they have the most immediate weapons of pressure (the law, substantial benefits to distribute, the capacity to mobilize media). But wherever the state is less strong, the religious structures, the ethnic organizations, and similar groups may become the strongest voices insisting on the priorities of the households. Even when status-groups or identities describe themselves as antisystemic, they may still be in rivalry with other antisystemic status-groups or identities, demanding priority in allegiance. It is this complicated turmoil of household identities that underlies the roller coaster of political struggle within the modern world-system.

The complex relationships of the world-economy, the firms, the states, the households, and the trans-household institutions that link members of classes and status-groups are beset by two opposite—but symbiotic—ideological themes: universalism on the one hand and racism and sexism on the other.

Universalism is a theme prominently associated with the modern world-system. It is in many ways one of its boasts. Universalism means in general the priority to general rules applying equally to all persons, and therefore the rejection of particularistic preferences in most spheres. The only rules that are considered permissible within the framework of universalism are those which can be shown to apply directly to the narrowly defined proper functioning of the world-system.

The expressions of universalism are manifold. If we translate universalism to the level of the firm or the school, it means for example the assigning of persons to positions on the basis of their training and capacities (a practice otherwise known as meritocracy). If we translate it to the level of the household, it implies among other things that marriage should be contracted for reasons of "love" but not those of wealth or ethnicity or any other general particularism. If we translate it to the level of the state, it means such rules as universal suffrage and equality before the law. We are all familiar with the mantras, since they are repeated with some regularity in public discourse. They are supposed to be the central focus of our socialization. Of course, we know that these mantras are unevenly advocated in various locales of the world-system (and we shall want to discuss why this is so), and we know that they are far from fully observed in practice. But they have become the official gospel of modernity.

Universalism is a positive norm, which means that most people assert their belief in it, and almost everyone claims that it is a virtue. Racism and sexism are just the opposite. They too are norms, but they are negative norms, in that most people deny their belief in them. Almost everyone declares that they are vices, yet nonetheless they are norms. What is more, the degree to which the negative norms of racism and sexism are observed is at least as high as, in fact for the most part much higher than, the virtuous norm of universalism. This may seem to be an anomaly. But it is not.

Let us look at what we mean by racism and sexism. Actually these are terms that came into widespread use only in the second half of the twentieth century. Racism and sexism are instances of a far wider phenomenon that has no convenient name, but that might be thought of as anti-universalism, or the active institutional discrimination against all the persons in a given status-group or identity. For each kind of identity, there is a social ranking. It can be a crude ranking, with two categories, or elaborate, with a whole ladder. But there is always a group on top in the ranking, and one or several groups at the bottom. These rankings are both worldwide and more local, and both kinds of ranking have enormous consequences in the lives of people and in the operation of the capitalist world-economy.

We are all quite familiar with the worldwide rankings within the modern world-system: men over women, Whites over Blacks (or non-Whites), adults over children (or the aged), educated over less educated, heterosexuals over gays and lesbians, the bourgeois and professionals over workers, urbanites over rural dwellers. Ethnic rankings are more local, but in every country, there is a dominant ethnicity and then the others. Religious rankings vary across the world, but in any particular zone everyone is aware of what they are. Nationalism often takes the form of constructing links between one side of each of the antinomies into fused categories, so that, for example, one might create the norm that adult White heterosexual males of particular ethnicities and religions are the only ones who would be considered "true" nationals.

There are several questions which this description brings to our attention. What is the point of professing universalism and practicing anti-universalism simultaneously? Why should there be so many varieties of anti-universalism?

Is this contradictory antinomy a necessary part of the modern world-system? Universalism and anti-universalism are in fact both operative day to day, but they operate in different arenas. Universalism tends to be the operative principle most strongly for what we could call the cadres of the world-system—neither those who are at the very top in terms of power and wealth, nor those who provide the large majority of the world's workers and ordinary people in all fields of work and all across the world, but rather an in-between group of people who have leadership or supervisory roles in various institutions. It is a norm that spells out the optimal recruitment mode for such technical, professional, and scientific personnel. This in-between group may be larger or smaller according to a country's location in the world-system and the local political situation. The stronger the country's economic position, the larger the group. Whenever universalism loses its hold even among the cadres in particular parts of the world-system, however, observers tend to see dysfunction, and quite immediately there emerge political pressures (both from within the country and from the rest of the world) to restore some degree of universalistic criteria.

There are two quite different reasons for this. On the one hand, universalism is believed to ensure relatively competent performance and thus make for a more efficient world-economy, which in turn improves the ability to accumulate capital. Hence, normally those who control production processes push for such universalistic criteria. Of course, universalistic criteria arouse resentment when they come into operation only after some particularistic criterion has been invoked. If the civil service is only open to persons of some particular religion or ethnicity, then the choice of persons within this category may be universalistic but the overall choice is not. If universalistic criteria are invoked only at the time of choice while ignoring the particularistic criteria by which individuals have access to the necessary prior training, again there is resentment. When, however, the choice is truly universalistic, resentment may still occur because choice involves exclusion, and we may get "populist" pressure for untested and unranked access to position. Under these multiple circumstances, universalistic criteria play a major social-psychological role in legitimating meritocratic allocation. They make those who have attained the status of cadre feel justified in their advantage and ignore the ways in which the so-called universalistic criteria that permitted their access were not in fact fully universalistic, or ignore the claims of all the others to material benefits given primarily to cadres. The norm of universalism is an enormous comfort to those who are benefiting from the system. It makes them feel they deserve what they have.

On the other hand, racism, sexism, and other anti-universalistic norms perform equally important tasks in allocating work, power, and privilege within the modern world-system. They seem to imply exclusions from the social arena. Actually they are really modes of inclusion, but of inclusion at inferior ranks. These norms exist to justify the lower ranking, to enforce the lower ranking, and perversely even to make it somewhat palatable to those who have the lower ranking. Anti-universalistic norms are presented as codifications of natural, eternal verities not subject to social modification. They are presented not merely as cultural verities but, implicitly or even explicitly, as biologically rooted necessities of the functioning of the human animal.

They become norms for the state, the workplace, the social arena. But they also become norms into which households are pushed to socialize their members, an effort that has been quite successful on the whole. They justify the polarization of the world-system. Since polarization has been increasing over time, racism, sexism, and other forms of anti-universalism have become ever more important, even though the political struggle against such forms of anti-universalism has also become more central to the functioning of the world-system.

The bottom line is that the modern world-system has made as a central, basic feature of its structure the simultaneous existence, propagation, and practice of both universalism and anti-universalism. This antinomic duo is as fundamental to the system as is the core-peripheral axial division of labor.