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# World-Systems Analysis after Thirty Years

## Should it Rest in Peace?

Stephen K. Sanderson\*

### ABSTRACT

*World-systems analysis has had a major impact on the social sciences over the past three decades. Although originally developed within sociology, its influence has not only been extensive in that field, but has spread to such fields as anthropology and political science as well. This article attempts a new critical assessment of the world-systems paradigm. Its major accomplishments are seen as sixfold: its insistence on understanding the modern world historically, its employment of modes of historical analysis that encompass very long periods of time (la longue durée), its highly interdisciplinary nature, its rigorous materialism, a conception of capitalism that is broader and more useful than the traditional Marxian conception, and its situation of the current phase of globalization in its proper historical context. On the negative side, I identify five major problems: its tendency toward teleology and reification; its overemphasis on exogenous forces at the expense of endogenous ones; its misrepresentation, in its classical form, of the effect of foreign investment on the periphery; its underestimation of the developmental prospects of the periphery; and its relative helplessness in understanding the nature and collapse of state socialist societies and the future prospects of socialism. I conclude with some suggestions for rebuilding world-systems analysis.*

**Keywords:** foreign investment, socialism, underdevelopment, world inequality, world-system

World-systems analysis (WSA) has now entered its fourth decade as a major paradigm within the social sciences, dating essentially from 1974, when its creator, Immanuel Wallerstein, published the first volume of his *The Modern World-System* (1974a) and his major article summarizing his general theoretical position, 'The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis' (1974b). Numerous critical assessments have been made of WSA (e.g. Skocpol, 1977; Zolberg, 1981; Chirot, 1986; cf. Shannon, 1996), but most of these are now rather dated. A fresh look therefore seems to be in order, which is the aim of this article. I try to provide a balanced critique, but I am guided by the question 'Should it Rest in Peace'? I pose the question

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this way because in 1976, in his famous critique of modernization theory, Wallerstein subtitled his essay 'Requiscat in Pace' – 'May it Rest in Peace.' He sought to bury modernization theory. By contrast, I by no means wish to bury WSA, but I do suggest that its flaws are serious enough to require major revision and reformulation. Ultimately, it will need to be replaced by a new paradigm.

WSA is a kind of synthesis of classical Marxian historical materialism, dependency theory, and the *histoire de la longue durée* of the French historian Fernand Braudel. Wallerstein created something of an intellectual revolution, a genuine paradigm shift in Kuhn's (1970) sense of the term, and his ideas caught on quickly. Among the first to pick them up were some graduate students at Stanford University, especially Christopher Chase-Dunn, Albert Bergesen, and Richard Rubinson. In time a Political Economy of the World-System section – PEWS – of the American Sociological Association was created, and this section began holding annual meetings and publishing annual volumes of papers presented at those meetings. WSA was becoming institutionalized within sociology – at least within comparative and historical sociology – and the term *world-system* eventually became commonplace.

Early on I accepted most of WSA's basic assumptions and principles (see Sanderson, 1988, 1991, 1995a, 1999a; Sanderson and Alderson, 2005). But in the past ten years, as I have had a chance for much more reading and reflection, and as world events have unfolded in the way that they have, I have begun to have doubts. Let me begin by summarizing WSA's main principles and then discuss its major accomplishments. Then I will turn to its limitations and errors, and at the end suggest where we might go from here.

### **Basic Principles of World-Systems Analysis**

I think the basic principles of WSA that would be accepted by all, or virtually all, world-systems analysts, can be summarized approximately as follows (Wallerstein, 1979, 1983, 1984, 1991, 1998, 2004; Navarro, 1982; Chase-Dunn, 1989):

1. World history shows evidence of the existence of many *world-systems*, which are social networks with a high degree of functional autonomy, an extensive division of labor (both geographical and occupational), and containing a plurality of societies and cultures.
2. The world-system as a whole is the basic unit of analysis. What occurs within the societal components of world-systems is largely determined by their imbeddedness in the system, or by their *external relations* rather than their internal characteristics.
3. There are two basic types of world-systems, *world-economies* and *world-empires*. World-economies are world-systems with multiple political units and no overarching centralization or unification. World-empires are world-systems that are politically and militarily unified. Throughout

- world history world-economies have tended to be extremely fragile, either disintegrating or being converted into world-empires.
4. In the 16th century a specifically *capitalist world-economy* began to form. Capitalism is a system of economic production for sale in a market in which the main objective is to realize the maximum profit and to accumulate capital over time.
  5. The 16th century constituted a 'great divide' in world history, with social and economic life being radically transformed after this time.
  6. The capitalist world-economy is a hierarchical structure consisting of three major components: a *core*, which dominates the world-economy, is the most technologically advanced and economically developed, has the strongest states and military units, and concentrates on 'leading sector' economic production; a *periphery*, which is the most technologically backward and economically underdeveloped, has the weakest states and military units, and concentrates on the production of raw materials for export using coerced labor; and a *semiperiphery*, which is an intermediate zone or component that shares features of both the core and the periphery. A core-periphery hierarchy is a constant and permanent feature of the capitalist world-economy, and the semi-periphery serves a stabilizing function, allowing the world-economy to persist.
  7. In the capitalist world-economy the core dominates and exploits the semiperiphery, which, in turn, dominates and exploits the periphery.
  8. Intense economic rivalry occurs within the core over access to as much of the economic surplus produced within the system as possible.
  9. Ascent and decline occur within the world-economy, but in a fairly limited way. Nation-states are more likely to maintain their position over time rather than to ascend or decline; when ascent or decline occur, they tend to be of relatively short distance.
  10. The capitalist world-economy experiences two fundamental dynamics. It is a *broadening* or *expanding* system in that over time it incorporates more and more of the world outside the system into the system, a process that will continue until it reaches its ecological limits. It is also a *deepening* or *evolving* system, which means that it changes its structural organization over time in directional and relatively determinate ways. The evolutionary dynamics of the system are driven by the logic of ceaseless capital accumulation.
  11. The capitalist world-economy reveals four major evolutionary trends: increased *mechanization* occurs in the form of continually advancing technology; increased *commodification* occurs in the form of extending the logic of commodity production to more and more arenas of social and economic life; increased *proletarianization* occurs in the form of the decreased use of coercive forms of labor and increased use of wage

labor; and increased *polarization* occurs in the sense that the economic gap between the core and the periphery widens over time.

12. The capitalist world-economy experiences not only expansionary and evolutionary trends, but *cyclical trends*. It is subject to *Kondratieff cycles*, which are cycles of some 40 to 60 years of rapid growth followed by slower growth (A and B phases). It is also subject to *hegemony cycles*, which are relatively short periods in which a great core power overwhelmingly dominates the world-economy in production, commerce, and finance, interspersed with periods in which no core power is able to dominate in any overwhelming sense.
13. There have been three hegemons in the history of the capitalist world-economy: Holland (the United Provinces), 1625–75; Britain (the United Kingdom), 1815–73; and the United States, 1945–67/70.
14. The political counterpart to the capitalist world-economy is the *inter-state system*, which is a system of sovereign nation-states that both compete and form alliances to promote their economic and geopolitical interests. The capitalist world-economy and the interstate system are fused together into the *modern world-system*. This system has ‘one logic,’ which is that of ceaseless capital accumulation, although the interstate system is not merely epiphenomenal to the capitalist world-economy.
15. Like all historical systems, the capitalist world-economy had a beginning and will have an end. It contains *contradictions* that will lead to its disintegration, possibly within the 21st century. Capitalism is unsustainable over the long term.
16. Capitalism will most likely be replaced by a global socialist world-system, which will be more rational and humane than the capitalist world-system.

### **An Overall Assessment**

Of these 16 principles, I contend that numbers 1, 3, 4, 5, 8, 10, 11, 13, 14, and 15 can be accepted without serious reservation; that numbers 2, 6, 7, 12, and 16 must be rejected or can, at best, be only partially accepted; and that number 9 must be rejected outright. Let me elaborate.

1. There is little doubt but that many intersocietal systems have existed throughout world history (Frank and Gills, 1993; Chase-Dunn and Hall, 1997; Denmark et al., 2000). It is both important and necessary to conceptualize such systems and to study how societies are embedded within them and affected by them.
2. However, what is the appropriate unit of analysis must be a very open-ended and, ultimately, empirical question. Neither the world-system as

- a whole, nor any of its subunits, should be privileged as analytic units. It is likely that the historical evolution of societies is affected by a complex mixture of their endogenous characteristics and their relationship to a larger system (Sanderson, 1999b).
3. Wallerstein's conceptualizations of world-economies and world-empires are important contributions, and there is little doubt that such systems have played major roles in human history. However, the proviso specified in number 2 above must be strictly applied.
  4. There is extremely widespread agreement, both within and outside of WSA, that a capitalist world-economy began to form in the 16th century. However, interesting capitalist developments were occurring as early as the 13th century (Abu-Lughod, 1989), and it is at least a reasonable hypothesis that for some 5000 years of world history there has been a 'world system' within which considerable primitive capital accumulation, mainly in the form of world trade, has taken place (Frank, 1990; Frank and Gills, 1993; Gills and Frank, 1991).
  5. The 16th century was clearly and indisputably a great historical watershed – what might be termed the third great historical transformation in all of world history – a point on which I have elaborated at great length (Sanderson, 1994, 1995a, 1995b, 1999a, 1999b; Sanderson and Alderson, 2005).
  6. It is eminently reasonable to characterize the capitalist world-economy as a hierarchically structured system that can often be usefully described in terms of the components of core, periphery, and semiperiphery. However, these concepts often produce highly reified forms of sociological analysis. To avoid reification, it might be preferable simply to talk of 'global inequalities.'
  7. Just as it is often useful to describe the capitalist world-economy as a hierarchical system, it is often useful to indicate that this hierarchy is based on relations of exploitation. However, just as in number 6 above, this can easily drift into reification, as well as into overemphasizing the exploitative side of intersocietal relationships. The periphery is merely useful or beneficial for the core, not necessary to its existence.
  8. There is no question but that intracore rivalry has always been, and remains, a fundamental reality of the capitalist world-economy, and thus a fundamental evolutionary force within world social evolution.
  9. There is much more ascent within the capitalist world-economy than WSA ordinarily allows for. Much of the capitalist periphery has moved up into the semiperiphery, and much of the semiperiphery into the core. Moreover, it is likely that some previously peripheral societies will soon move into the core.
  10. There is no doubt but that the capitalist world-economy has the expansionary and evolutionary dynamics specified by WSA. This feature of

- WSA is not only highly accurate; it is critically necessary for understanding current and future world social evolution.
11. The specific evolutionary trends of the capitalist world-economy identified by WSA are real and fundamental; see number 10 above.
  12. WSA's concept of hegemony cycles, as well as the specific list of hegemony cycles that have been identified, appear to have considerable validity. As to the concept of Kondratieff cycles, it is highly controversial, being rejected by most conventional economists. Although there is considerable evidence for the existence of such cycles over the past 500 years (Goldstein, 1988), the world-economy should have entered a new A phase long ago, and its failure to appear is troubling for K-wave theory (Patomäki, 2005). Moreover, Arrighi's (1994) *systemic cycles of accumulation* may be just as important, and perhaps should become a generally accepted part of WSA's conception of capitalist cyclical dynamics.
  13. The identification of three hegemony cycles in the history of the capitalist world-economy seems to be supported by the empirical evidence, although Arrighi's (1994) addition of Genoa at the beginning may be appropriate.
  14. There seems little doubt but that the interstate system is the political counterpart of the capitalist world-economy and that the two operate together in terms of 'one logic' (Chase-Dunn, 1989).
  15. It is impossible to deny that all historical systems are finite, and thus that the capitalist world-system will one day perish and be replaced by some other type of historical system. However, capitalists and their political counterparts have proved themselves highly ingenious in overcoming the 'contradictions' of the capitalist system, and thus they are likely to prove so well into the future. Therefore, the life of the capitalist world-system may continue in existence much longer than is usually anticipated by WSA.
  16. Although capitalism will eventually be replaced by some other historical system, if this new system is some type of global socialist system then it will be neither more humane nor more efficient than the current capitalist system. Moreover, such a system would likely descend into rent-seeking and become the most repressive and authoritarian state known to history (Sanderson and Alderson, 2005).

In addition to the positive points made above, I would add the following. First, WSA is a mode of *historical sociology*, or, perhaps more accurately, *historical social science*. Wallerstein and other world-systems analysts have stressed that the modern world can only be understood in its historical context. This now seems patently obvious, although it is certainly not obvious to most sociologists, since few of them do any kind of historical analysis at all. In this sense, WSA is a great theoretical advance.

Second, WSA emphasizes the Braudelian *longue durée* – periods of at least several hundred years – as the proper time frame for historical social-scientific analysis. This is all to the good, although the Braudelian *longue durée* is a bit too short for me, and for others. Thousands of years, rather than hundreds, may be more appropriate (cf. Gills and Frank, 1991; Sanderson, 1999b; Denmark et al., 2000; Sanderson and Alderson, 2005).

Third, WSA is an *interdisciplinary* – more precisely, a *unidisciplinary* – approach, or one that seeks to break down the boundaries between the social sciences. This, too, is all to the good.

Fourth, WSA is a rigorously *materialist* perspective in that it regards the economic base as largely determinative of the social and ideological superstructure. However, it sometimes pushes this to excess, as, for example, when it conceptualizes sexism and racism as largely epiphenomena of the capitalist world-economy. Sexism is cross-culturally widespread, and historically long antedates capitalism, and thus will have to be explained on other grounds. Racism and ethnonationalism also have a logic of their own which is by no means reducible to the functioning of the capitalist world-economy.

Fifth, Wallerstein's rejection of Marx's distinction between merchant and industrial capital (and Marx's restriction of 'true' capitalism to the latter), is a major theoretical advance. Capitalism involves the sphere of circulation just as it involves the sphere of production, and it makes use of a wide range of labor modes, not just wage labor. Recent analyses (e.g. Fogel and Engerman, 1974; cf. Wallerstein, 1979) make it clear that American slavery was fundamentally capitalist in orientation, and the same applies to all forms of New World slavery.

Sixth, WSA makes a very important contribution in insisting that the current trend of 'globalization' is not something entirely new, but rather simply the latest and most intensive phase of a globalizing process that has been occurring for hundreds of years (Chase-Dunn et al., 2000).

### **The Most Serious Weaknesses**

But WSA also has its limitations, and these are serious. Ivan Szelenyi (1992) remarked a decade or so ago that world-system and dependency theories have experienced a lot of difficulties, and he implied that 'no theory proved to be so wrong so fast as world-system theory' (Szelenyi, 1992: 233). This seems to be overstating the matter considerably, but there is no denying that world-system theory has a lot to answer for. Quite a number of criticisms can be made, but here I shall limit myself to five of the most crucial.

### ***Teleology and Reification***

Although there can be no serious doubt that the nations of the world have been for hundreds of years locked into systemic interdependence, Wallerstein and



most world-systems analysts push this point too far and end up reifying the system. Wallerstein told us from the very beginning that the world-system was by necessity a tripartite structure. In order for there to be a rich core there had to be a poor periphery subject to superexploitation, and, since such a highly polarized system would be unstable, in order to persist it required an intermediate structure, or semiperiphery. The 'role' of the semiperiphery is to mediate or reduce the conflict between core and periphery, and the 'role' of the periphery is to provide cheap labor and natural resources critical to the development of the core. Much of this is unsatisfactory, and for several reasons. For one thing, use of expressions like 'the role of the semiperiphery' assumes that the world-system is an organismic type of system in which 'the system' has virtually a consciousness that tells it how to allocate tasks on a global level. It is the world-system as a whole that acts, not individual capitalists and workers within in. This is almost as serious a reification as that engaged in by Talcott Parsons and his followers, for whom there were 'systemic needs' that the system 'knew' how to satisfy. It seems to me that all WSA talk of cores or peripheries as actual structures that have larger roles to play is an illogical theoretical construction that ought to be abandoned.

Moreover, although capitalism has always depended enormously on cheap labor for the production of profits, this does not mean that a worldwide peripheral zone is essential (as opposed to merely useful or beneficial) to capitalism's functioning. Indeed, the evidence is now rather strong that much of the capitalist periphery has been gradually disappearing. All of Latin America was peripheral in the early 20th century, but by 1980 11 of 21 Latin American countries had moved up into the semiperiphery (classifications made by Chase-Dunn, personal communication), and today most South American countries are semiperipheral and the current Latin American periphery is largely confined to Central America. Much the same process has been occurring in Asia. In the early 20th century, the only Asian country that was not peripheral was Japan (which was semiperipheral), but by 1980 23 of 34 Asian countries that can be reliably classified had become semiperipheral and one had moved into the core. Today, 23 are semiperipheral, and at least 3 have moved into the core (Hong Kong and Singapore in addition to Japan). (Some observers might also consider South Korea and Taiwan now to be lower-tier core countries, in which case Asia today has 21 semiperipheral countries, 5 core countries, and only 8 countries that are still peripheral.) The only traditional zone that remains fundamentally peripheral is Africa, and, as will be shown below, it is a special case. And it can be predicted that, with the exception of Africa, other peripheral countries will move into the semiperiphery and some semiperipheral countries will move into the core.

It is also usually assumed that the core *creates* a periphery in order to exploit it. There is certainly a great deal of truth in this, since this is what European colonialism was largely about. Much of the history of the capitalist

world-economy is a history of colonialism, which, in the thinking of the dependency theorists, the forerunners of WSA, is the first major form and stage of economic dependency. And it cannot be denied that colonialism has been associated with very high levels of exploitation and the production of a great deal of poverty and misery. However, not all of this poverty and misery can be laid at the feet of the economic intrusion of capitalist colonizers (Chirof, 1977, 1986). Most of those parts of the world that became colonies of Europe already suffered from very high levels of poverty and misery before the Europeans arrived. While there are instances in which this poverty and misery became worse as a result of foreign influence, most of it was already there from the beginning.

The concept of semiperiphery also leaves a great deal to be desired (Arrighi and Drangel, 1986). The semiperiphery seems to be defined in two somewhat different ways. On the one hand, it is defined in *qualitative* terms – as a zone that plays a stabilizing role within the entire system. On the other hand, the semiperiphery is often conceived in *quantitative* terms – as consisting of societies that have intermediate levels of economic development. In this sense, the semiperiphery becomes a sort of dumping ground category, a place to put those societies that don't fit very well in one of the other categories. But think of the tremendous differences between many of the societies that have been called semiperipheral. For example, some time ago Wallerstein (1976a) listed the following: the Soviet Union and the Eastern European state socialist societies, Brazil, Mexico, Venezuela, Chile, Cuba, the southern tiers of Portugal, Spain, and Italy, Greece, Algeria, Egypt, Saudi Arabia, Israel, Nigeria, Zaire, Turkey, Iran, India, Indonesia, China, Vietnam, Canada, Australia, New Zealand, and South Africa. Can a concept that includes so many diverse societies within its range be all that useful?

The tendency toward reification inherent in WSA is also strikingly evident in the following comment from Wallerstein with respect to the state socialist societies (1998: 68): 'May it not be that it was the [capitalist] system as a whole that bred such regimes and *that needed this kind of regime for its smooth functioning*' (emphasis added).

### ***Exogenous versus Endogenous Forces***

The stock in trade of WSA is that there is one, and really only one, basic unit of analysis, and that is the world-system as a whole. WSA has tended to overlook, or at least to underemphasize, such endogenous characteristics of societies as their class structures, political systems, and geographical and population size, and these characteristics often play a major role in shaping a nation's current development level and future developmental prospects. World-systems analysts are likely to deny this charge, saying that they clearly recognize the importance of endogenous factors. This may be true *in principle*, but it seems seldom to be

true *in practice*. In practice, world-systems analysts almost always give pride of place to external relations as determining what goes on internally within a society. Even Chase-Dunn and Hall (1997), in attempting to account for very long-term social evolution, make the world-system the fundamental unit of analysis, and external relations get clear priority over internal ones.

This relative neglect of endogenous factors goes hand in hand with what is a peculiarly ahistorical aspect of WSA – peculiar, that is, for a perspective that gives such emphasis to historical analysis. While WSA gives great attention to the historical relationship of contemporary less-developed societies to the capitalist core, it tends to ignore the precapitalist history of these societies. However, this history often turns out to be of critical importance in conditioning the way in which any given society will be incorporated into the capitalist system and the effects of that incorporation (Lenski and Nolan, 1984; Chase-Dunn, 1989).

Let me take some examples to make my point, one historical and two contemporary. Consider, first, Wallerstein's discussion of Eastern Europe in the early years of the world-system. Eastern Europe was one of the two main peripheral regions of the capitalist world-economy in its first phase, the other being, of course, Iberian America. Reading Wallerstein, one gets the clear impression that Eastern Europe's level of development and its distinctive economic (if not political) institutions were creations of the Western European core. After all, peripheral zones are *incorporated into* the world-system by core zones. But the lower level of economic development of Eastern Europe, and its distinctive institutions, seem to be phenomena that predate the world-system. In point of fact, Eastern Europe has been less developed than Western Europe virtually ever since there was something to be called 'Europe.' As Daniel Chirot (1989: 3) has pointed out, 'Eastern Europe was in some sense economically backward long before it was absorbed into the broader western world market. This backwardness had roots in the very distant past, not in any distortions imposed on Eastern Europe in the last few centuries.' Moreover, the farther east one goes in Eastern Europe, the greater the backwardness one finds. The reason, I think, is obvious enough if one simply consults a map. Eastern Europe is, compared to Western Europe, quite landlocked, and the farther east one goes the more landlocked everything is. Elsewhere I have pointed to the importance of maritime trade for the development of capitalism (Sanderson, 1994). Western Europe had the Mediterranean and the North Sea, but Eastern Europe had many fewer possibilities for maritime trade.

None of this means that Wallerstein is wrong to claim that Eastern Europe became dependent on Western Europe. Indeed, Chirot himself admits that this is true. But this was a later development, and not itself the sole cause of the export orientation of Eastern Europe of which Wallerstein speaks. As early as the 14th century Eastern Europe was engaged in the large-scale export of cattle and other raw materials to Western Europe (Gunst, 1989). It is well known, of course, that most of Eastern Europe today lags far behind Western

Europe. This economic gap may have something to do with the economic dependency of Eastern on Western Europe (and, of course, the economic stagnation produced by decades of communism), but it also has to do with a very different starting point (Kochanowicz, 1989).

In turning our attention to the contemporary world, specifically to the differences between the three major regions of the less-developed world, we see the following: Latin America is the most developed, with an average GDP per capita in 2000 of \$6540 and approximately 16 percent of the population living in poverty; sub-Saharan Africa is the least developed (average GDP per capita, \$1165; average percentage of the population living in poverty, 43%); and Asia is in between but closer to Latin America than to Africa (average GDP per capita, \$5136; average percentage of the population living in poverty, 25%) (Sanderson and Alderson, 2005). In Asia, several societies have moved into the upper semiperiphery and almost into the core. It would seem very difficult to explain these differences in terms of WSA. The biggest challenge, I think, is to explain why sub-Saharan Africa is so far behind the other two regions, and, especially, why it has actually *declined*, and alarmingly so, since the end of colonialism in the 1950s and 1960s. By the middle of the 1990s real income had declined by nearly 15 percent from where it had been in the middle of the 1960s, technological infrastructure had decayed badly, and civil war and ethnic genocide had become major social problems (Ayittey, 1998; Castells, 1998).

Lenski and Nolan (1984) have offered an ecological-evolutionary explanation of these regional differences. They argue that Latin America and Asia were regions in which plow agriculture predominated prior to capitalist development, whereas sub-Saharan Africa was still stuck at a horticultural stage of precapitalist development, using hoes and other hand tools and without draft animals. This argument is not especially persuasive. Another type of 'internalist' explanation has been offered by George Ayittey (1998) and Manuel Castells (1998), who see Africa's massive problems as rooted in the political structures – what they call the 'predatory' or 'vampire' state – that are characteristic of so many African societies. They compare African political leaders to gangsters who have seized political power merely to advance their own interests. The military, police forces, civil service, parliaments, and judiciaries have experienced a kind of debauchery, and there is little or no professionalism and accountability in any of these institutions. But the problem with this explanation is that it begs the question: if the predatory state is the principal source of Africa's horrendous economic and social problems, then why do sub-Saharan African societies have such states in the first place? Neither Ayittey nor Castells offers an answer to this crucial question.

It is not at all clear why Africa lags so far behind Latin America and Asia, but a world-system explanation seems ruled out *tout court* in view of the relatively short period of European colonialism in Africa and the worsening of African economies since the end of colonialism. The answer is likely to be found

in one or more endogenous characteristics of African societies. This conclusion is profoundly ironic in view of the fact that Wallerstein started his career as an Africanist and began to develop his world-systems perspective in order to make sense of Africa's problems. Nothing made sense in Africa, Wallerstein asserted at an early point, except in light of European intrusion. In fact, this assertion seems to be completely backwards. If anything is *not* the cause of contemporary Africa's problems, it would seem to be European capitalist penetration. Africa has become almost completely marginalized from the highly globalized world-economy because it has very little of what capitalist investors seek. It has few resources, very little skilled labor, and tiny economic markets.

What then of the four Asian Tigers: Taiwan, South Korea, Hong Kong, and Singapore (and what of the coming of China)? The astonishing amount of economic development in these four countries within the past 50 years is well known to everyone. From a world-systems point of view, the economic success of the Asian Tigers makes sense in terms of Wallerstein's strategy of *development by invitation*, but endogenous factors are also an important part of the story. One can say that the upward mobility of the Asian Tigers, South Korea and Taiwan in particular, has resulted from a unique combination of five circumstances (Crane, 1982; Cumings, 1984; Evans, 1987; Koo, 1987; Aseniero, 1994): the salutary effects of Japanese colonialism; major land reforms after the Second World War that resulted in a much more egalitarian distribution of land and major increases in agricultural output; huge amounts of money, in the form of both aid and loans, pumped into South Korea and Taiwan by the United States; the greatest Kondratieff A phase in the history of the world-economy, a period during which the United States opened its own domestic markets to the products of Taiwan and South Korea; and the existence of a strong state that could play the role of largest investor and largest director of economic growth, in addition to holding down wages so that the strategy of export-oriented industrialization could work (cf. Sanderson and Alderson, 2005).

Thus, the developmental trajectories of the four Asian Tigers make sense, at least partially, in terms of a world-systems perspective. However, the same cannot really be said of China's recent extraordinary economic development. China began its recent developmental spurt in the late 1970s, after Mao Zedong had died and a major regime change occurred. It had the fastest growing economy in the world between 1980 and 1995, and, since that time, although growth has slowed, it is still very rapid (So and Chiu, 1995; Aseniero, 1996; Castells, 1996, 1998; Weil, 1996). In many ways China's economic development over the past 25 years is even more remarkable than that of the four Asian Tigers, since it has been occurring during a Kondratieff B phase – would Wallerstein thus call it an example of *seizing the chance?* – and without any particular assistance from the United States of the type given to Taiwan and South Korea. Moreover, it has done this within the framework of a communist state regime, a type of regime historically associated with much lower levels of economic

development and ultimate economic stagnation. But China has done two major things. First, it has attracted enormous foreign investment, from two billion US dollars in 1990 to some 20 billion in 1992, to over 30 billion in 1994, and to more than 40 billion in 1998, with the biggest investors being Hong Kong, Japan, the United States, Singapore, South Korea, and Taiwan (Weil, 1996; *The Economist*, 2000). Second, China has engaged in enormous privatization of its economy. Consumer goods produced by privately owned firms amounted to less than 1 percent of goods produced by government owned firms in 1978, but this increased to 48 percent by 1990, to 89 percent by 1994, and to a huge 179 percent by 1998 (<http://sino-wisdom.com>).

Since the 1990s much closer economic ties have developed between the 'three Chinas': Mainland China, Taiwan, and Hong Kong. I predict that within the next 20 years China will overthrow its Leninist regime and a single, unified Chinese state will develop out of what are now the three Chinas. A Chinese 'megastate' will be created that will be poised to become the next great hegemonic power in the history of the capitalist world-economy.

Although the four Asian Tigers' economic development of the past half century makes sense within a world-systems framework, this development also makes a certain amount of sense within a modernization framework. But China's recent development would seem to make much more sense from a modernization than from a world-systems perspective. China has done what it has done largely by dramatic privatization of its economy, by attracting huge amounts of foreign investment, and by competing in the world capitalist market. And it has done this without any of the unique world-systemic advantages enjoyed by Taiwan and South Korea.

Finally, there is Latin America. Why has this region become the most developed region of the capitalist periphery and semiperiphery, at least in terms of average per capita GDP? The fact that Latin America was the region first colonized by Europe, and the first region to gain political independence, may provide the key (Sanderson, 1995b, 1999b). Most Latin American countries had gained their political independence by 1830, before colonialism had even begun in sub-Saharan Africa and most of Asia. This means that Latin America has had a significantly longer time in which to engage in autonomous development. In a very important study, James Mahoney (2003) has shown that the presence of an indigenous capitalist class has been a critical factor in the development of Latin American countries. For example, Mexico, Venezuela, and Argentina had strong capitalist classes and they developed earlier and have gone farther than countries such as Bolivia, Peru, and Paraguay, which had small and weak bourgeoisies. Latin America as a whole has had stronger bourgeoisies for a considerably longer period of time than Asian and sub-Saharan African countries – indeed, even today sub-Saharan Africa lacks such bourgeoisies – and thus it is to be expected that most Latin American countries would have become more developed than their counterparts in the other two continents.



***WSA and Underdevelopment: The Role of Foreign Investment***

In the study cited above, Mahoney (2003) has provided strong empirical support for Andre Gunder Frank's (1979) thesis that, in the Americas, those colonies that experienced 'benign neglect' developed much farther than those that were subjected to intensive colonization for the purpose of extracting raw materials. The most socially and economically developed countries in Latin America throughout the past century, such as Argentina, Costa Rica, and Uruguay, have been those that experienced little colonial penetration, whereas much less economically developed countries, such as Bolivia, Honduras, and Nicaragua, have been ones in which the greatest degree of colonial activity was present. This is empirical confirmation of a major thesis of world-systems theory – that the core underdevelops the periphery – and I suspect that Mahoney's conclusions will apply as well to other peripheral regions. For example, Japan's successful resistance to peripheralization undoubtedly played a role in its becoming the first highly industrialized society in Asia (Moulder, 1977; Sanderson, 1994). Historically, then, peripheralization has been associated with underdevelopment. But, although this thesis holds for earlier historical times, does it continue to hold for the present? Does capitalist penetration of the periphery and semiperiphery continue to produce underdevelopment?

Interest in testing dependency and world-system theories of underdevelopment using sophisticated multivariate statistical methods began just after the first volume of Wallerstein's *The Modern World-System* appeared and was pioneered by Christopher Chase-Dunn and other graduate students at Stanford University (Chase-Dunn, 1975; Rubinson and Holtzman, 1981). These students generally found that, as predicted by dependency and world-systems theories, higher degrees of foreign investment in less-developed countries led to greater underdevelopment. However, over the years contradictory findings emerged. Some studies showed that the effects of foreign investment were negative for development, whereas others found that they were positive. Bornschier et al. (1978) looked at 16 studies, most of which examined economic growth from about 1960 until the early 1970s, and tried to determine the reasons for these studies' contradictory findings. After careful scrutiny, they reached what appeared to be an elegant conclusion: a study's findings depended on how foreign investment was conceptualized and measured. For the most part, studies showing positive developmental effects of foreign investment conceptualized and measured investment in terms of *recent flows of investment capital*; by contrast, studies showing negative effects of foreign investment conceptualized and measured it in terms of *long-term stocks of foreign investment*. The authors therefore concluded that the short-term effect of foreign investment is positive for economic growth, but over the long run the build-up of large stocks of foreign investment slows down and possibly even reverses economic growth. Somewhat later, Bornschier and Chase-Dunn (1985) repeated this investigation

but included 36 studies in their analysis; they reached the same conclusions as the original Bornschier et al. study.

But in 1992 Glenn Firebaugh stuck a very large fly in the ointment in challenging all of these studies. Firebaugh claimed on methodological grounds that dependency and world-systems researchers had misinterpreted their results. Firebaugh's own research results suggested to him that when less-developed countries are highly dependent on foreign capital they do indeed experience slower economic growth than countries less dependent on foreign capital. However, this does not permit the conclusion that foreign investment actually impedes growth. Firebaugh looked separately at the growth effects of domestic and foreign investment and found that domestic investment produced better results than foreign investment. Nevertheless, the effects of foreign investment were still positive.

However, Firebaugh's conclusions were in turn challenged by Dixon and Boswell (1996a), who charged Firebaugh with conflating foreign capital *investment* with foreign capital *penetration*. Foreign capital investment involves either short-term inflows or longer-term accumulations, but foreign capital penetration refers only to foreign ownership of *accumulated capital*. Dixon and Boswell argue that foreign capital penetration produces a host of negative externalities – shifting tax burdens, overurbanization, sectoral imbalance, and inappropriate technology – that have negative consequences for economic growth. Using new measures of foreign capital penetration, and controlling for both the foreign and domestic investment rates, the authors find that the effects of penetration are negative and that this finding vindicates classical dependency theory. Dixon and Boswell's re-analysis prompted additional analyses from Firebaugh (1996), which he claims undermine their claim that foreign capital penetration leads to negative growth effects as the result of negative externalities. And Firebaugh's challenge prompted yet new analyses from Dixon and Boswell (1996b) defending their original challenge.

Jeffrey Kentor (1998) has entered this debate by looking at foreign capital investment and penetration over an earlier and longer time period (1940–90, compared to the period 1967–73 for Firebaugh and Dixon and Boswell). Kentor finds that foreign capital penetration tends to have positive initial effects, but that over time its effects turn negative, thus confirming the conclusion reached by Bornschier et al. (1978) and Bornschier and Chase-Dunn (1985). Kentor therefore sides with Dixon and Boswell against Firebaugh in that debate. He concludes that the 'results of this study confirm that peripheral countries with relatively high dependence on foreign capital exhibit slower economic growth than those less dependent foreign countries' (1998: 1042).

In one of the most recent additions to this literature, Kentor and Boswell (2003) have generated a new measure of dependence, what they call *foreign investment concentration* (FIC), which is defined as the proportion of



foreign capital investment coming from a single country. For example, in 1967 Honduras had an FIC score of 97.7, meaning that 97.7 percent of its foreign investments came from a single country, in this case the United States. At the other end, Singapore had a score of just 33.8, with 33.8 percent of its foreign investments coming from the United Kingdom. The authors use a sample of 39 OECD countries and study economic development between 1970 and 1995. Their results show that foreign capital penetration has very little effect on economic growth, but that FIC has a negative effect. The question as to what is meant by a 'negative effect' is crucial. Does this mean simply a slower rate of growth, or actual negative growth, that is, developmental decline? The answer appears to be that, for less-developed countries with only moderate levels of FIC, growth still occurs but is slowed down; but for countries with very high levels of FIC, growth actually turns absolutely negative. The authors draw an important policy implication from their findings, suggesting that 'countries need to focus on diversifying the sources of foreign investment among investing countries' (2003: 311).

However, there are two other findings that the authors do not dwell on that deserve mention. One is that the magnitude of the effect of FIC seems quite small. Second, the single most important determinant of economic growth is neither penetration nor FIC, but the ratio of international trade to GDP, which is a measure of a country's integration into the world-economy. It has a substantial positive effect on economic growth. This finding could be seen as inconsistent with WSA. Be that as it may, Kentor and Boswell's findings, if valid, clearly show that it cannot be business as usual in WSA. Future validation of their results would definitely require a more nuanced WSA.

But, then, who is right? What do all of these findings add up to? It is difficult to say in any definitive way, and more research will be needed, but at the very least serious questions have been raised regarding a key principle of world-system theory – that the development of the core occurs at the expense of the periphery and that foreign capital investment in less-developed countries serves to maintain the core-periphery hierarchy. And, looking at the simplest of all measures of economic development, per capita GDP, despite a great deal of foreign investment throughout the less-developed world there has been much more development there than WSA seems to allow for. I address this matter in the next section.

### ***WSA and Underdevelopment: Long-term Trends***

As noted above, even though WSA has done a fairly good job of explaining historical patterns of underdevelopment, it may be inadequate in explaining development within the past 50 years. Much more economic development has occurred within the periphery and semiperiphery than has been predicted by WSA. Wallerstein himself has taken the most extreme position of all

world-systems theorists in arguing for *absolute immiseration* over time within the world-system. He argues his position as follows (1983: 100–1):

I wish to defend the one Marxist proposition which even orthodox Marxists tend to bury in shame, the thesis of the absolute (not relative) immiseration of the proletariat.

I hear the friendly whispers. Surely you can't be serious; surely you mean relative immiseration? Is not the industrial worker better off today than in 1800? The industrial worker, yes, or at least many industrial workers. But industrial workers still comprise a relatively small part of the world's population. The overwhelming proportion of the world's work-forces, who live in rural zones or move between them and urban slums, are worse off than their ancestors five hundred years ago. They eat less well, and certainly have a less balanced diet. Although they are more likely to survive the first year of life (because of the effect of social hygiene undertaken to protect the privileged), I doubt that the life prospects of the majority of the world's population *as of age one* are greater than previously; I suspect the opposite is true. They unquestionably work harder – more hours per day, per year, per lifetime. And since they do this for less total reward, the rate of exploitation has escalated very sharply.

This is a position that is totally unsustainable in view of the facts. We can assess Wallerstein's claim by looking at several of the most crucial indicators of economic development: GDP per capita, life expectancy, and infant mortality. In 1950, the average national income in the periphery and semiperiphery (calculated in constant 1993 dollars and using PPP, or Purchasing Power Parity, measures) was \$427 in East Asia, \$788 in South Asia, \$1095 in sub-Saharan Africa, \$2862 in Latin America, and \$920 for the periphery and semiperiphery as a whole. By 2000 these numbers had increased dramatically: to \$3946 for East Asia, \$1986 for South Asia, \$1472 for sub-Saharan Africa, \$6333 for Latin America, and \$3406 for the periphery and semiperiphery as a whole (Bhalla, 2002).

Looking at life expectancy, it was only about 41 years for the less-developed world as a whole in the period 1950–5, but had climbed to 65 years by 1997 (and to 70 if sub-Saharan Africa is omitted) (World Bank, 1984; McDevitt, 1999; Lomborg, 2001; Singer, 2002). When we consider that life expectancy in the United States in 1900 was 49, this means that the average Asian and Latin American is now living 21 years longer than the average American a hundred years ago. The increase in life expectancy is largely the result of major declines in infant mortality. In 1960 the infant mortality rate for the less-developed world as a whole was approximately 150, but it had declined to some 57 by the year 2000 (World Bank, 1984; United Nations, 2002). Moreover, in the very short time period between 1970 and 1997, the proportion of the world's population said to be starving declined from 35 percent to 18 percent (Lomborg, 2001; Singer, 2002). Even the absolute number of people

starving declined, from some 920 million in 1971 to some 792 million in 1997, and this despite the substantial increase in world population during this period.

Now this is looking primarily at only the past half century. If we look farther back toward the beginnings of the capitalist world-economy – which Wallerstein apparently wants to do because he refers again and again to the last 500 years – we see that the extent of material progress is far greater. Here are some relevant figures. In 1900, the average infant mortality rate for Western European countries was 148, for the United States 162, and for Japan 151 (Cipolla, 1978). This is well above the average today for the less-developed world, even including sub-Saharan Africa. If we look at earlier centuries, we see astronomical rates: York, England in the 16th century, 480; Geneva, Switzerland, in the 17th century, 289–358; several German communities in the 18th century, over 350; 18th-century Amsterdam, 290; and Berlin in 1880, more than 300 (Cohen, 1989). As for life expectancy, consider these horrendous figures from earlier times: Stockholm 1725–1830, less than 20; Geneva prior to 1725, under 30; early 17th-century Amsterdam, in the 20s; London in 1604, 18; Sheffield, England in the 1860s, the low to mid-30s; Manchester, England in the 1840s, 17 for unskilled laborers and 20 for traders; Irish cities in the 1830s, 24 (Cohen, 1989). In other words, not only has the quality of life improved in the developed world relative to several hundred years ago, *but the quality of life in the less-developed world is now far better than it was even in the developed world several hundred years ago!* In light of such data, it is no wonder that orthodox Marxists seek to ‘bury in shame’ the absolute immiseration thesis.

But even though most orthodox Marxists and world-systems theorists grant that the absolute immiseration thesis is not sustainable, they seek to defend the thesis of relative immiseration. In this sense, there is said to be a growing gap between the richest and poorest nations such that the poorest are becoming worse off relative to the richest. A commonly cited figure comes from the United Nations’ 1999 *World Development Report*. In this report it is shown that the ratio of the world’s richest population quintile to the world’s poorest quintile, which was 30:1 in 1960, had climbed to 60:1 by 1990 and to 74:1 by 1997. In a careful study that used very statistically sophisticated methods, Korzeniewicz and Moran (1997), showed an increase in world income inequality between 1965 and 1992.

However, other studies have measured income inequality by taking into consideration differences between countries in consumer purchasing power (PPP measures), claiming that this is in fact a more accurate measure of inequalities in the standard of living (Schultz, 1998; Firebaugh, 1999, 2000, 2003; Goesling, 2001). These studies show that world income inequality was increasing until about 1960, but that since that time it has leveled off or actually declined. The most recent study, that of Firebaugh and Goesling (2004), uses four measures of income inequality for the period between 1980 and 1998. During this period, the Gini coefficient declined from .512 to .478, the Theil

index from .582 to .503, the mean logarithmic deviation from .634 to .483, and the coefficient of variation from 1.439 to 1.387.

It would thus appear to be the case that real development has been occurring in the periphery and semiperiphery, and to an extent that contradicts what is perhaps the main principle of WSA: within world capitalism, the core and periphery become increasingly polarized as the former 'underdevelops' the latter. WSA conceives of capitalism as an inherently zero-sum game, but in fact it is not such a game, as is becoming increasingly obvious. To be sure, capitalism produces inequalities at all levels of social life, including the global, and it is undoubtedly the case that economic equality is impossible within capitalism. However, those in the middle of the world income spectrum, and even those near the bottom of the spectrum (sub-Saharan Africa excluded), seem to be lifted up over time, and thus benefit from the enrichment of those at the top.

None of this means that the alternative to world-systems analysis is a return to some sort of simplistic modernization theory. The most famous modernization theory of all time, that of W.W. Rostow (1960), was mostly just pigeonholing and provided precious little in the way of explaining why societies should proceed through a series of stages on their way to higher and higher levels of development. One of the most recent modernization theories, that presented by David Landes in his book *The Wealth and Poverty of Nations* (1998), emphasizes that development depends mostly on knowledge and on a society's having the right forms of property and government. According to Landes, Britain led the way in capitalist development because it had secure private property, individual liberty, honest and responsive government, and systematic methods of discovering new knowledge. Japan was successful because it had the equivalent of a Protestant work ethic. China lagged behind Japan because it failed to develop adequate institutions for learning and the discovery of new knowledge. These ideas, although an improvement on Rostow, leave a lot to be desired for reasons that space does not permit me to explore. However, it is beginning to look as though modernization theory may not have been completely off the mark, at least in its basic assumption that less-developed countries will develop over time. As already shown, the East Asian societies of Taiwan, South Korea, Hong Kong, and Singapore have been converging with alacrity with the developed countries, and China appears to be following suit. It is unreasonable to expect that the whole world will become developed on the US or Western European model, but more convergence should be expected in the years and decades to come.

Interestingly, a radical Marxian form of modernization theory was developed years ago by Albert Szymanski (1981) and Bill Warren (1973, 1980). Both go back to Marx's thoughts on the role of imperialism in the developmental trajectories of the less-developed world, claiming that Marx took the evolutionary view that imperialism would create conditions in less-developed countries that would lead them along the same developmental path as the

imperialist countries. Actually, Marx's views were somewhat more nuanced. He argued, for example, that in British India imperialism would have salutary effects, but that in Ireland English imperialism had produced and would continue to produce negative results. Be that as it may, Szymanski and Warren themselves see imperialism as ultimately beneficial. Szymanski has countered Frank's argument that the flow of the economic surplus has been from the less-developed to the developed world, asserting that, on the contrary, capitalist imperialism has produced greater industrialization and economic development in the developing world. Moreover, he claimed that the gap in national income between the developed and less-developed worlds has been shrinking rather than growing. Szymanski argued that if the less-developed countries continued the rate of economic growth they were experiencing in the 1970s, they would reach the developmental level that the developed countries had reached in the late 1970s by around the year 2050. However, Szymanski fell into confusion and contradiction in asserting that living standards were not improving in less-developed countries, and he expected that many of these countries were likely to experience socialist revolutions rather than continued capitalist industrialization.

Warren was actually even closer to conventional modernization theory. He contended that western imperialism was stimulating genuine development in less-developed countries by means of destroying premodern cultural norms and values and generating new aspirations. He pointed to such indicators of development in less-developed countries as increased GNP per capita, increased consumer goods available to larger segments of the population, and improvements in health care, and he saw these things occurring without increases in income inequality. If we are to look within the radical Marxian tradition, therefore, for an accurate understanding of what has been happening in the capitalist periphery and semiperiphery, it would seem far better to look to Szymanski and Warren – and especially to Warren.

One of WSA's major difficulties is that it works with an outdated labor theory of value, part of the large amount of Marxist theoretical baggage it has taken on. This theory has now been largely discredited. Labor power is not the only thing that produces value, and capitalists do not depend on it alone for their profits. It is true that capitalists are constantly searching for cheap labor, and that this is a fundamental characteristic of the operation of capitalism with tremendous implications for the evolutionary trajectory of the world-system. But it does not follow that labor always remains cheap. In fact, the evidence shows that the price of labor constantly rises. This may or may not be a fatal contradiction of capitalism. So far it has not been. In fact, from the capitalist's point of view, the price of labor *must rise* in order for demand to increase.

*WSA and State Socialism*

State socialism is especially problematic for WSA, and for a number of reasons. These have to do with the nature of state socialist societies, their collapse after 1989, and the potential future of socialism.

A central question for WSA is, are the state socialist societies really socialist? The answer to this question, of course, depends greatly on what is meant by socialism, but let us take socialism to mean approximately what it meant for Marx, which was a production-for-use economy organized under state control that is reasonably egalitarian and strongly directed toward serving human needs as its highest priority. In this light, world-system theorists allege that state socialism is not real socialism. Indeed, it is a deformed version of socialism – actually more a version of state capitalism – whose deformation is largely the result of the external pressures it has felt from the hostile capitalist world-economy that surrounds it. The WSA position on state socialism has perhaps been best stated by Christopher Chase-Dunn (1982). He holds that the state socialist societies have not successfully made a transition to a socialist mode of production, but rather remain part of the capitalist world-economy, occupying for the most part a semiperipheral position. The socialist states have close ties with western capitalist societies and engage in commodity production for a world market. The state socialist societies are essentially capitalist societies whose governments are led by socialist political parties. In Chase-Dunn's words (1982: 35), 'Soviet or Chinese juridically collective forms of property and centrally determined investment decisions and income distributions may be a functional part of the capitalist system.' Moreover (1982: 35), 'it is possible to see that the forms of property and the organs of collective planning that have developed in the Soviet Union and China simultaneously represent important experiments in the logic of socialist development and increasingly functional forms of the reproduction of capitalism as a system.' It is not possible to have true socialism in a handful of societies when most of the world is still capitalist. True socialism can only come about on a global level and would take the form of a socialist world-government.

How well does this position stand up? At best, only partially. First, it seems to overstate the extent to which state socialist societies have engaged in economic exchanges with western capitalism. Szymanski (1982) has argued that the exchanges between the state socialist societies and western capitalism have been extremely limited, being largely of a nonessential or luxury nature. Unfortunately, Szymanski overstates the matter in the other direction. However, it is still true that the state socialist societies have engaged in much more trade among themselves than they have with all of the capitalist societies of the world (figures provided by Abonyi [1982] for 1979 are about 60–5 percent and 35–40 percent, respectively). And although it is true that state socialist societies have invested in both core and peripheral capitalist societies, these investments have



been tiny in comparison to the investments made by capitalist societies. In 1978, for example, US investments in the peripheral capitalist countries exceeded Soviet investments by a factor of 2200.

And certainly the internal economic organization of state socialist societies has made them very different from capitalist societies, their relationship to the world capitalist system notwithstanding. The state socialist states have made limited – sometimes extremely limited – use of market principles. The Hungarian economist János Kornai (1992) has pointed out that the general absence of a market principle has had enormous implications for money and prices. According to Kornai, classical state socialism was actually only *semimonetized*. Although money existed, it was not a universal means of exchange and was not convertible into foreign currencies. As for prices, they were not determined by the market principles of supply and demand, but by bureaucratic fiat. As a result, there was no adequate way of determining how much to produce of any given product, or, in many instances, just what products to produce.

Moreover, the Soviet Union did not depend upon other less-developed socialist countries for its essential raw materials, as is characteristic of the relationship between the capitalist core and periphery. It actually exported raw materials to other socialist countries (Chirot, 1986). Moreover, the Soviet Union often acted so as to help less-developed socialist countries improve their economic situation, such as paying Cuba many times the world market price for Cuban sugar (Eckstein, 1986). These are decidedly ‘uncapitalist’ activities if ever there were any. And, as Susan Eckstein (1980) has pointed out, not only does WSA not help us understand Soviet-Cuban relations, but changes in Cuban society in the 1960s and 1970s ‘seem to be irrelevant from Wallerstein’s perspective’ (p. 269).

My conclusion is that the state socialist societies, although certainly not a genuine form of socialism as envisioned by Marx, have operated much more like socialist societies than like capitalist ones. They have had many of the important characteristics that we usually associate with a socialist mode of economic production (Davis and Scase, 1985; Gorin, 1985). Their interactions with western capitalism have been relatively limited; moreover, lumping them in with semiperipheral capitalist societies raises once again serious questions about the usefulness, or even coherence, of the concept of a semiperiphery.

As is well known, when Mikhail Gorbachev came to power in the Soviet Union in 1985 he launched the major reform movements known as *perestroika* and *glasnost*: economic restructuring in a more capitalist direction and greater political openness. Gorbachev also renounced the Brezhnev doctrine, which specified that the Soviet Union had the right and the duty to control economic and political developments in its satellites in Eastern Europe. With astonishing speed, socialism came apart. In 1989 revolutions against communism occurred in Poland, Hungary, East Germany, Czechoslovakia, Romania, Bulgaria, and Albania. Communism was for the most part delegitimized, much more

democratic regimes replaced the old communist regimes, and market capitalism and privatization became the focus of the economy. Then, in 1991 the Soviet Union collapsed and split into Russia and a host of other successor states, the Communist Party delegitimized there as well (Sanderson, 2005).

To explain these events, WSA puts most of the blame on the pressures of the surrounding capitalist world-economy. In this view, socialist societies have had great difficulty surviving within a capitalist world-system. Because they have been forced to interact with that system, they have been increasingly drawn back toward a capitalist mode of operation (Chase-Dunn, 1982, 1989). There is considerable evidence showing that the state socialist societies, especially in Eastern Europe, adopted more market principles since the 1970s (Frank, 1980; Abonyi, 1982; Rossides, 1990). But I think it likely that these increasingly capitalistic endeavors were motivated much more by the increasing economic stagnation and failure of socialism as an economic system than by external capitalist pressure (Sanderson, 2005). And why the stagnation? Kornai (1992) argues that it is inherent in the very nature of bureaucratic planning in a socialist economy. The absence of markets means that producers do not know how to adjust supply to demand; whatever is produced will always be consumed, and, in the absence of a profit motive, producers have no incentives to increase supply. Their incentive is simply to meet the quotas bureaucratic planners establish for them. This leads inevitably to a situation of chronic shortage, and thus state socialist economies become 'permanent shortage' economies.

Katherine Verdery (1995) has pointed to other features of socialist economies which have caused inefficiency and stagnation. Shortage was endemic to these societies, she claims, because of the padding of budgets and the hoarding of materials. Managers at lower levels of economic planning would ask for more materials than they needed and would hoard the materials they received. Unlike in capitalist economies, there was no penalty for this padding and hoarding. Power relations between managers and workers also bred shortage. Managers not only hoarded materials, but also hoarded labor. Managers would keep on hand more workers than they usually needed, and much of the time these workers would be idle, working only when the necessary materials were available (which was only some of the time). Managers also had great difficulty getting workers to be committed to their work; what developed instead was a 'cult of nonwork' in which workers, essentially imitating Party bosses, tried to get away with working as little as possible. Verdery also points out that, in marked contrast to capitalism, state socialist economies sought to accumulate distributable resources rather than profits. Their mode of legitimation was to claim that they were distributing to the people all of the things they really needed. And not only did the bureaucracy want to have control over resources, but it had a special interest in controlling resources that would produce other resources, that is, means of production. In Verdery's (1995: 227–8) words, most goods 'were not being made to be sold competitively . . . In fact, the whole point



was *not* to sell things . . . [W]hatever goes into calculating a profit . . . was unimportant in socialism until very late in the game.' She concludes that socialist economic rationality was quite different from capitalist rationality.

It is well known that state socialist societies have always given pride of place to the production of means of production rather than consumer goods, and now we can see why. The whole logic of socialist production from the standpoint of those who directed it was the accumulation of means of production, and essentially giving away consumer goods rather than producing them efficiently for profit. State socialist societies, especially the Soviet Union, were successful in their early stages in creating higher levels of industrialization based on such heavy industries as steel, electrical machinery, and organic chemistry (Chirot, 1991), but their very logic made them unable to keep pace with western capitalist societies in the production of consumer goods. By the mid-1970s this inability was becoming increasingly obvious. Here we have another very good reason for questioning the claim that the state socialist societies were really forms of state capitalism and functioned as integral parts of the capitalist world-economy.

Finally, there is the crucial question of the future of socialism. Does it, and should it, have a future? By and large, world-systems analysts answer both of these questions in the affirmative. The two leading world-systems analysts, Wallerstein and Chase-Dunn, both favor a socialist system over a capitalist one, and both see a reasonable likelihood of a socialist system emerging sometime in the near future. It is difficult to say with any precision, but I suspect most world-systems analysts would agree.

Wallerstein (1998) thinks that capitalism has only another 50 or so years left in it. We are heading toward a great historical transition to a new mode of production, which is most likely a socialist world-government. Wallerstein admits that we cannot know whether this system will be better or worse than its capitalist predecessor, but there is little real doubt that he thinks – and no doubt at all that he hopes – it will be better. Wallerstein contends that the new socialist world-government can be based entirely on non-profit enterprises, some of them controlled by the state and some controlled by other means. Along similar lines, Chase-Dunn (2003) favors a 'socialist democratic global commonwealth.' Unlike Wallerstein, Chase-Dunn is more open to markets and the profit motive and envisions a system that combines market principles with command principles. Also unlike Wallerstein, in collaboration with Terry Boswell (another fervent advocate of socialism) he has worked out a fairly detailed plan for constructing a global form of socialism that draws heavily on the socialist thinking of the philosopher John Roemer (1994; Boswell and Chase-Dunn, 2000).

Quite frankly, I think these notions are extremely unrealistic. I say this essentially for three reasons. First, the economic track record of actually existing socialisms is very poor, and for reasons already indicated. Command economies are simply extremely inefficient and produce widespread stagnation. They

have been dramatically outperformed by capitalist economies, even for their poorest members. And not only is this true in the more advanced industrial countries, but the track record of less-developed countries that have followed Wallerstein's path of *self-reliance* – opting out of the capitalist system – is far worse than the record of less-developed countries that have remained capitalist, whatever their continuing problems. China made little economic headway between 1949 and Mao's death in 1976, and the famous Cultural Revolution was, as is by now well known, a total disaster. China only began real economic development after 1978, when a new regime abandoned command principles and set off on a decidedly capitalist path. And what of Cuba, often identified by world-systems analysts and fellow travelers as a model worth emulating (cf. Eckstein, 1994)? It has been outperformed by most Latin American countries that have remained capitalist, not to mention a great many Asian capitalist societies.

Second, there are the political outcomes of state socialism. In virtually every single case (the only possible exception being Nicaragua), state socialist societies have become politically repressive, often extremely so, what Ken Jowitt (1992) calls *Leninist regimes*. In a recent celebrated book, *The Black Book of Communism* (1999), Stéphane Courtois and his colleagues have enumerated the human consequences of Leninist regimes, estimating that some 100 million people died as the result of such things as executions, the slaughter of rebellious workers, and mass starvation of the peasantry – not counting the horrendous suffering of millions of others in forced labor camps and the like who did not die.

World-systems theorists usually explain the politically repressive nature of state socialist societies by, again, blaming it on the surrounding capitalist world-economy. To protect themselves from hostile capitalist societies that would seek to destroy them, state socialist societies have had to create powerful states and military structures. This may be part of the story, but it cannot be the whole part, or even the most important part. Much more persuasive is the political scientist Tatu Vanhanen's (1997, 2003) argument that humans are natural power-seekers and that states will be authoritarian to the extent that the mass of the population does not have resources that it can use to minimize the power of states over them – what Vanhanen calls *power resources*. As Vanhanen has shown, in state socialist societies people possess almost no power resources at all, these resources being overwhelmingly concentrated in the hands of the state. To what extent would a *global* socialist system concentrate power resources, especially economic power resources? It boggles the mind to imagine it. Wallerstein argues that the economic structures of the new socialist world-government would not need to be autocratic or authoritarian. Perhaps they would not *need* to be, but it is extremely likely that they *would* be.<sup>1</sup>

My final reason for questioning the potential of a future socialist society is the 'human nature' problem. My reading of world history suggests that most

people are status, wealth, and power-seekers (Sanderson, 2001). It is true that small-scale hunter-gatherer, horticultural, or pastoral societies are usually strikingly egalitarian. However, this is not because there are no tendencies toward inequality, but because the many combine against the few who would dominate them, the few lacking the resources to prevail over the many. There is massive evidence to show that when these resources begin to emerge, as they do in more advanced horticultural and agrarian societies, inequalities emerge and evolve in direct proportion to the power resources that are available (Lenski, 1966; Sanderson, 1999b).

One can be a socialist by philosophical principle but at the same time recognize that it is extremely difficult, if not impossible, to make it work in practice. If a socialist system along the lines imagined by Wallerstein or Chase-Dunn were to be established along relatively egalitarian lines, it is difficult to imagine it remaining that way for long. And it is much more difficult to eliminate sloth, incompetence, and bureaucratic centralization than Wallerstein imagines. Wallerstein (1998) says we can eliminate sloth and incompetence by penalizing them. But B.F. Skinner taught us long ago that humans respond much better to rewards and incentives than to punishments, and that punishments tend to be associated with a wide range of undesirable psychological consequences. They also tend to be associated with a host of undesirable social consequences. Building a more humane society should focus on the best features of human nature, not on the worst.

My conclusion on socialism is that, as Wallerstein (1976b) once said about modernization theory, it is time to put away foolish things. The evidence is now overwhelming that socialism was a very foolish thing, an experiment that failed massively, and that would fail massively once again were we to try it again. As Daniel Chirot (1995) has pointed out, socialism has been almost completely discredited throughout the world. Capitalism has its problems, and is by no means a perfect system, but better to stick with it than to try the foolish socialist experiment one more time. Many people did not survive this experiment the first time. Most of them might not survive it a second.<sup>2</sup>

### **Rebuilding the Paradigm**

Where do we go from here? We need a new paradigm, but it can draw extensively on the existing WSA paradigm and build on its foundations. I have already indicated which of these foundations seem sound, which seem sound in some ways but unsound in others, and which are simply unsound. The new paradigm would need to do something like the following:

1. Relax the assumption that it is the world-system as a whole that is always the proper unit of analysis, and thus that it is 'external relations' that determine the subunits of the system. This assumption should be

replaced with a much more open-ended one in which the question of the exogeneity or endogeneity of causation is made empirical on a case-by-case basis.

2. 'Dereify' the concepts of core, periphery, and semiperiphery, and the entire analysis associated with them. These concepts can be retained, but they should be used as little more than descriptive indicators, and rather crude ones at that. The notion that a core implies a periphery should be abandoned, as should the notion that the relation between them implies sort some of semiperiphery as a mediating mechanism.
3. Drop most of the radical Marxian political and intellectual baggage that WSA took on from the very beginning. Although it has become very unpopular to say this, good social science is 'objective' and suspends political judgments as much as possible. Marx's radical political aims blinded him in many ways, and the same is true of WSA. With a handful of exceptions, Marx got almost everything wrong with respect to the really fundamental questions (the two exceptions are his materialist model of causation and his identification of ceaseless capital accumulation as the driving engine of the capitalist system and the modern world).
4. Relatedly, become more realistic about the limitations of socialism. It was not just that, in the socialist experiments of the 20th century, we 'just didn't get it right' and that it is still possible to learn from the mistakes of the past and 'get it right' the next time. The evidence is overwhelmingly against this. Both economic stagnation and political repression are intrinsic features of economies that fall heavily under state ownership and control. If there is a viable alternative to capitalism, state ownership of the means of production in the absence of market principles is certainly not it.
5. Incorporate insights from other modes of historical sociology, such as the neo-Weberian political sociology of Randall Collins, with its emphasis on geopolitics as a relatively autonomous sphere, or the historical sociology of Charles Tilly.
6. Incorporate insights from modes of social-scientific analysis normally anathema to WSA and other radical social scientists, such as rational choice theory and Darwinism. World-systems analysts have a very jaundiced view of both of these approaches. Regarding rational choice theory, they typically misunderstand it by confusing substantive with instrumental rationality. The evidence seems to me overwhelming that humans are rational choosers and that they give overwhelming priority, first to their own interests, second to those of their close kin, and third to the members of their own nation or ethnic group (Sanderson, 2001; Salter, 2003, 2004). Chase-Dunn speaks of a 'collectively rational global socialist commonwealth,' but his notion of 'rational' in this concept

involves his own subjective view of what is substantively rational. Unfortunately, people do not act in terms of what is collectively rational, but in terms of what is individually rational. WSA's failure to acknowledge this is one of the main things that has gotten it into one difficulty after another. Just look at the difficulties facing the EU in building a kind of European commonwealth, something much less grandiose than Chase-Dunn's proposed worldwide commonwealth. The whole project always had many obstacles strewn in its path, but then in the spring of 2005 both France and the Netherlands voted down the EU constitution, and some observers fear that the whole project may be in shambles (cf. Sanderson and Alderson, 2005). National interests have reared their (ugly?) head, as they always tend to do.

As for Darwinism, a Darwinian revolution is now occurring in the social sciences, especially in anthropology and psychology, although it has touched sociology very little so far. One cannot build a humane social system without solving the 'human nature' problem. Much of WSA is wishful thinking based on a false – that is, highly oversocialized (in Wrong's sense) – concept of humanity. Elsewhere I have tried to show how what remains valuable in the Marxian materialist tradition can be brought together with the Darwinian tradition of biological materialism (Sanderson, 2001), and others have suggested that Marxism needs Darwinism (e.g. Singer, 2000). It should not be forgotten that Marx himself was a great admirer of Darwin, a scholar who produced one of the two most successful scientific theories of all time.

So, in the final analysis, the answer to the subtitle to this essay is 'No.' WSA is not dead and thus does not need to rest in peace. However, it is afflicted with several serious diseases that need prompt medical attention. Of course, some would raise the question whether, if certain core principles of WSA are abandoned, it is still WSA. Well, no, certainly not the 'same old WSA.' For now, and for lack of a better term, let's call it MWSA – Modified World-Systems Analysis. In due time, MWSA will need a new name to better express what it will have become.

## NOTES

1. Wallerstein (1998: 67–8) says that it is true that state socialist societies have been despotic, and have had a privileged class at the top, but 'these characteristics have been standard fare of most state regimes throughout the historical trajectory of the modern world-system.' Despite Wallerstein's disclaimers, this seems almost like an apologia for state socialism. It is indeed true that most states throughout history (both capitalist and precapitalist) have been despotic, but capitalist states were the first to become democratic (Rueschemeyer et al.,

1992; Sanderson, 2004) (although Wallerstein and other world-system analysts think that modern democracies are really hidden forms of autocracy). Moreover, in the past 25 years there has been a clear democratization trend in the less-developed world as it has developed economically (Kurzman, 1998; Green, 1999; Dorenspleet, 2000; Sanderson, 2004). Wallerstein and other world-systems analysts apparently feel that the rights and freedoms of modern capitalist democracies are not very meaningful, but the people of Eastern Europe in 1989 certainly disagreed with them. They felt these rights and freedoms were very meaningful and fought extremely hard to obtain them.

2. Another criticism that can be made of WSA concerns its treatment of the phenomena of race, ethnicity, and gender, which are seen as largely epiphenomena of the world-system (Balibar and Wallerstein, 1991; Wallerstein, 1998). Wallerstein says that discrimination along the lines of race, gender, and nation continue to be 'fundamental to the operation of the historical system . . . They poison all of social life, everywhere. They dominate our mentalities. They wreak untold havoc, physical and psychological, not only on those who belong to the oppressed groups but on those who belong to the dominant groups. The evil results are not getting better; they're getting worse. These inequalities are morally unacceptable and unresolvable within the framework of our existing world-system' (1998: 78). But these inequalities long antedate the system, and have existed in especially virulent form outside it (witness Yugoslavia). WSA is highly inadequate to the task of understanding them.

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