

The Value of a Longer View:  
Immanuel Wallerstein's Efforts to Rethink Temporal Change  
and the Notion of Historical Epochs

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Abstract: Studies in international relations (IR) often look to the recent past for explanations of current events. Indeed, the last ten, twenty, or forty years can reveal a great deal about why actors behave the way they do. But near term causes are not always sufficient. This chapter advocates for a mixed temporal methodology that combines short-term and long-term trends. It does so through examining the writings of Immanuel Wallerstein in the 1980s and 1990s. Drawing on Kondratieff, Wallerstein used the concept of long-waves to take new positions on popular topics in IR, including: Hegemonic Stability Theory, social movements, and the spread of capitalism. In the twenty-first century, a mixed temporal methodology would be useful for understanding the present global instability and the decline of American power on the world stage.

The history of the last thirty or forty years has borne out my views. Not everyone would agree with that, but more people agree with that today than they would have agreed thirty or forty years ago.

- Immanuel Wallerstein<sup>1</sup>

In the twenty-first century, the field of international relations (IR) has paid considerable attention to the decline of the United States on the world stage, the state of global capitalism, and the surge of protests across the globe. Washington's increasing frustration with partners in Europe and Asia and the rise of China as an economic and political player has led many to question the durability of American dominance in the world. Simultaneously, the economic downturn of 2007 has erased the image of stability in the Global North's financial markets and sovereign debt.

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<sup>1</sup> Interview by Gregory P. Williams, "Retrospective on the Origins of World-Systems Analysis," *Journal of World-Systems Research* 19, no. 2 (2013): 202-210, 206.

Furthermore, these twin crises have been greeted with popular expressions of no-confidence in the form of global protest: the various occupy movements that began in New York; the Arab Spring; and expressions of national discontent in Brazil, Bulgaria, Chile, Greece, and Spain.

Many commentaries on the current international scene offer instrumentalist proposals for reform. That is, scholars tend to recommend that policymakers take action. Hegemonic stability, capitalist expansion, and calm masses can all be attained if only the right public policies could be enacted. According to this narrative, failure to find these policies rests with northern diplomats and other policymakers.<sup>2</sup>

This tendency to emphasize policy solutions can be explained in part by IR's turn towards methodological and topical specialization.<sup>3</sup> Moreover, the dominance of American universities partially accounts for why scholars would like to see the United States succeed in attaining its goals. But, these factors notwithstanding, the study of world politics also has a distorted sense of time. The field has jettisoned the study of the long term in favor of short term and extremely long term (near permanent) trends. On the one hand, liberalism typically utilizes time-frames in terms of a few decades, but usually not more than a half-century.<sup>4</sup> Yet on the other hand, realism conceives of trends so long that they are virtually permanent. In Kenneth

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<sup>2</sup> This trend can be seen in the renewed interest in bridging the divide between theory and practice in IR. Often, scholars hope to build such a bridge by making their writings relevant to Western policymakers, not to activists or the Third World. See, for example, the recommendations provided in these writings: Joseph S. Nye, "Bridging the Gap between Theory and Policy," *Political Psychology* 29, no. 4 (2008): 593-603; Joseph S. Nye, "Scholars on the Sidelines," op-ed for *The Washington Post* (13 April 2009): <http://www.washingtonpost.com/wp-dyn/content/article/2009/04/12/AR2009041202260.html>; Robert Jervis, "Bridges, Barriers, and Gaps: Research and Policy," *Political Psychology* 29, no. 4 (2008): 571-592; Stephen M. Walt, "The Relationship Between Theory and Policy in International Relations," *Annual Review of Political Science* 8 (2005): 23-48, 42. Also see his blog post for *Foreign Policy*, "The cult of irrelevance," 15 April 2009: [http://walt.foreignpolicy.com/posts/2009/04/15/the\\_cult\\_of\\_irrelevance](http://walt.foreignpolicy.com/posts/2009/04/15/the_cult_of_irrelevance).

<sup>3</sup> Benjamin J. Cohen discusses this trend in his intellectual history of *International Political Economy* (Princeton, NJ: Princeton University Press, 2008).

<sup>4</sup> See, for example, Robert O. Keohane's and Joseph S. Nye's famous study on international regimes, *Power and Interdependence*, 3<sup>rd</sup> ed. (New York: Longman, [1977] 2001).

Waltz's estimation, while a change *of* the international systems was not impossible, one was far more likely to observe changes *in* the system.<sup>5</sup> IR tends to avoid the types of long term patterns of behavior, including trends over several decades or centuries.

This chapter advocates for a *mixed temporal methodology*, made up of the combination of near term and long term analyses. It draws on Immanuel Wallerstein's writings of the 1970s and 1980s. During that time, Wallerstein compiled articles, lectures, and books on the history of capitalism and its present trajectory.<sup>6</sup> In these works, he indicted fellow social scientists for their misinterpretation of global patterns. Drawing on the writings of Nikolai Kondratieff, Wallerstein recommended that IR turn to global patterns that were neither short term (of a few years or decades) nor so long that the world appeared virtually immobile (of tens of thousands of years). An investigation of these writings reveals lessons for understanding hegemony, class relations, and economic crises of the twentieth and twenty-first centuries.

Still, these lessons cannot be applied to the current age without one qualification. Wallerstein's long-wave writings coincided with a global economic downturn. Decolonization of the 1950s challenged Wallerstein to think about the meaning of political development, and develop a new unit of analysis. The 1970s taught him to think about capitalist instability and the decline of American dominance. Unlike crises of previous centuries, this one seemed to be a crisis of the world-system itself. He became convinced that the world-economy did not have much longer to live. He, therefore, also lectured and wrote about contemporary problems as

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<sup>5</sup> Kenneth Waltz, "Structural Realism after the Cold War," *International Security* 25, no. 1 (2000): 5-41.

<sup>6</sup> In addition to two volumes of his series on the *The Modern World-System* (New York: Academic Press, 1980a and 1989a, respectively), Wallerstein also published collections of his articles in *The Politics of the World-Economy* and *Geopolitics and Geoculture: Essays on the changing world-system* (Cambridge: Cambridge University Press, 1984b and 1991b, respectively). Also, it is worth noting that, since this paper draft is part of much longer work, these and other works may have extraneous references (such as a, b, or c).

outcomes of the past. In his opinion, there was a direct link between capitalism's history and its present condition.<sup>7</sup>

For the most part, the field of world politics did not follow Wallerstein's methodological recommendations. Still, they did not go unnoticed in all intellectual circles. In 1984, France's cultural ministry awarded Wallerstein the title Officer of the Order of Arts and Letters. Moreover, many of his predictions about the 1990s and 2000s proved accurate. Thus, this consideration of long waves does so with the belief that previously they had been too quickly dismissed.

This chapter will first define long waves as Wallerstein understood them. Next, it will describe their application in Wallerstein's writings on the seventeenth century economic downturn, and the eighteenth century economic upturn. Then, after outlining the nature of twentieth century global capitalism, it will offer insights on how to use a mixed temporal methodology in the twenty-first century.

### **Long Waves in the Study of World Politics**

Much like today, many social scientists in the 1980s were skeptical of long waves.<sup>8</sup> Wallerstein found this surprising, since the idea of short-term trends were generally accepted by scholars. Few intellectuals would have taken issue, for example, with the claim that food prices fluctuate over time. Nor would they take disagree with the belief that ideological preferences may shift

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<sup>7</sup> "We cannot discuss what we think to be the future of the modern world-system unless we come to some agreement about which past it is to which we are referring. For me, the answer has become increasingly clear." Immanuel Wallerstein, "The future of the world-economy," in *The Politics of the World Economy: the states, the movements, and the civilizations* (Cambridge: Cambridge University Press, [1980b] 1984b, 97-111), 97.

<sup>8</sup> One critic Wallerstein mentioned was Wally Leontieff, in *Business Week* (11 October 1982). See Immanuel Wallerstein, "Long Waves as Capitalist Process," *Review* 7, no. 4 (1984c): 559-575, 560fn1.

between elections.<sup>9</sup> These short-term patterns were and remain easily accepted. “However,” Wallerstein wrote in one essay, “the minute we suggest that there are similar fluctuations over longer periods of time (‘long waves’) there is considerable controversy.”<sup>10</sup>

Detractors argued that the data does not corroborate the existence of long waves, and that believers massaged the data to fit pre-established theoretical patterns.<sup>11</sup> Indeed, as Richard Rosecrance has explained, anti-cyclical ideas often seemed to be more credible to scholars. Some writers thought the world was unchanging (e.g. Machiavelli, Morgenthau, Waltz). Others claimed it was consistently moving towards some positive outcome (e.g. Veblen, Schumpeter). And there was also the belief that the world was moving towards some negative outcome (e.g. Sombart, Deutsch).<sup>12</sup> Against “such well-established contrary notions, cyclical views have faced an uphill struggle.”<sup>13</sup>

For Wallerstein, the notion of economic cycles was like any analytic tool in social science. He considered long waves to be, like most models, imperfect. Yet he also thought they were necessary.<sup>14</sup> Questions may persist about the character of these cycles. But in his opinion, these questions were not justification to dismiss such cycles outright. The social scientific study of cycles resembles the physiological study of breathing. Physiologists may disagree about how animals breathe. But they all agree that it occurs and that it happens in cycles:

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<sup>9</sup> These are the examples Wallerstein gives in an undated manuscript prepared for Japanese translation, “Why is the Study of Long Waves Controversial?” (Box 85, Folder: “Why is the Study of Long Waves Controversial?” Wallerstein Papers, Special Collections, Binghamton University Libraries, Binghamton University, State University of New York).

<sup>10</sup> Wallerstein [undated], 2.

<sup>11</sup> “In fact, the debate on the existence of long waves is often quite passionate” (Wallerstein [undated], 2).

<sup>12</sup> Richard Rosecrance, “Long cycle theory and international relations,” *International Organization* 41, no. 2 (1987): 283-301.

<sup>13</sup> Rosecrance 1987, 284.

<sup>14</sup> Wallerstein 1984c, 561.

Physiologists do not argue about whether or not breathing occurs. Nor do they assume that it is easy to account for the causes and consequences of a particular instance. Such account is perforce extraordinarily complex. But it would be hard to describe the physiology of animal life without taking into account that all animals breathe, repetitively and reasonably regularly, or they do not survive.<sup>15</sup>

In Wallerstein's analogy, economic cycles, like breathing, do not confirm to a rigid pattern. But they undoubtedly occur. He envisioned five types of temporal cycles:

2-3 years:	Kitchen
6-10 years:	Juglar
15-20 years:	Kuznets
45-60 years:	Kondratieff
150-300 years:	"logistic," or, "trend séculaire" <sup>16</sup>

For Wallerstein, it were Kondratieff and logistical cycles that proved to be the most useful. Both have been referred to as *long waves* (even though the Kondratieff is more like a *medium wave*). World-systemic writings on the nineteenth and twentieth centuries typically utilize Kondratieff cycles, whereas logistical waves are often employed for earlier historical eras. The underlying logic for each of these waves is largely the same.

Kondratieff cycles were particularly controversial, in part because Nikolai D. Kondratieff was a Russian economist. In the midst of the Cold War, American academia could more easily dismiss scholarship produced by a geopolitical adversary. Still, it seemed odd to Wallerstein that those thinkers who accepted the idea of waves often found "it easier to give credibility to shorter and longer cycles than to the medium-length Kondratieff."<sup>17</sup>

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<sup>15</sup> Wallerstein 1984c, 562.

<sup>16</sup> Wallerstein 1984c, 559.

<sup>17</sup> Wallerstein 1984c, 560.

Kondratieff advocated for a dynamic, non-static, view of economics that emphasized patterns of fluctuation.<sup>18</sup> His famous 1926 article, “The Long Waves in Economic Life” acknowledged that the study of long waves was inherently difficult because reliable data were hard to find.<sup>19</sup> But he asserted that good statistics could be found in England, France, and the United States. And, according to Kondratieff, the comparison of prices, wages, interest rates, and the use of essential goods like coal and lead showed clear trends which could not be explained as anything other than cycles. In other words, “the cycles discovered cannot be regarded as the accidental result of the methods employed.”<sup>20</sup> The periods of rise come to be known as A periods and the periods of decline as B periods.<sup>21</sup> Some long wave advocates have disagreed as to how one determines the shift from A to B.<sup>22</sup> But in general, the distinction is one of moving from relative abundance to relative scarcity. The data suggest approximately three long waves, each with a period of rise and a decline.

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<sup>18</sup> N. D. Kondratieff, “The Static and the Dynamic View of Economics,” *The Quarterly Journal of Economics* 39, no. 4 (1925): 575-583.

<sup>19</sup> Kondratieff [1926] 1979, reprinted in *Review*.

<sup>20</sup> Kondratieff [1926] 1979, 532.

<sup>21</sup> The Braudel Center attributed this labeling of A- and B-phases to the writings of François Simiand (Research Working Group 1979, 488).

<sup>22</sup> There has been some debated as to what actually signifies an A or B phase. Wallerstein noted differences, for example, between Ernest Mandel and Walt W. Rostow. For Mandel, the A periods consist of “accelerated accumulation” and the B periods consist of “gradually decelerating accumulation” (quoted in Wallerstein 1979c, 664). Rostow, by contrast, described the transition between A and B as depending on the relative availability of unfinished products: “I believe what we observe in these cycles are periods of relative shortage and relative abundance of food and raw materials” (quoted in Wallerstein 1979c, 664fn7). Thus, A periods are times of abundance, and B periods are times of shortage. Wallerstein found it noteworthy that Mandel and Rostow both wrote extensively about long waves, yet were also so different from each other (1979c, 663). The long wave, in other words, was *not* simply a New Left wave. Immanuel Wallerstein, “Kondratieff Up or Kondratieff Down?” *Review* 2, no. 4 (1979c): 663-674. Also see Joshua S. Goldstein’s comprehensive summary of the various applications of Kondratieff waves in “Kondratieff Waves as War Cycles,” *International Studies Quarterly* 29, no. 4 (December): 411-444.



*Table One: Kondratieff's Findings on Long Waves*<sup>23</sup>

<b>Wave</b>	<b>Rise (A)</b>	<b>Decline (B)</b>
1	c. 1790 to 1810-17	1810-17 to 1844-51
2	1844-51 to 1870-75	1870-75 to 1890-96
3	1890-96 to 1914-20	1914-20 to --

Kondratieff concluded that long waves repeat, contain phases of rises and decline, and are international.<sup>24</sup> From this he made two propositions. One was that smaller cycles, shorter phases of rise and decline, could be detected within the long waves. The life span of these “intermediate cycles” is determined by the long-term structure in which they arise.<sup>25</sup> A second proposition was that B phases correlated with times of both agrarian strain and technological innovation. A phases, by contrast, generally correlated with increased gold production as well as increased war and revolution.

Curiously, Kondratieff substantiated his findings on less than 150 years worth of data. But he believed that one could arrive at no other conclusion! He wrote: “We are led to this conclusion not only by the consideration of the factual material, but also because the objections to the assumption of long cyclical waves are very weak.”<sup>26</sup> Critics claimed that the measurement of long waves fluctuated too much. Stunned, Kondratieff wrote that intermediate waves fluctuated even more!<sup>27</sup>

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<sup>23</sup> Kondratieff ([1926] 1979) outlines his main conclusions on 532-537.

<sup>24</sup> Long waves for Kondratieff occurred across multiple states. He observed that “the same timing holds true” for Western Europe as it did for the United States (Kondratieff [1926] 1979, 535).

<sup>25</sup> Kondratieff [1926] 1979, 536.

<sup>26</sup> Kondratieff [1926] 1979, 537.

<sup>27</sup> Kondratieff found that intermediate waves fluctuated between seven and eleven years (or 57%) and long waves fluctuated between forty-eight and sixty years (or 25%). If intermediate waves can be called cyclical, he wrote, then must reach the same conclusion about long waves (Kondratieff [1926] 1979, 537).

Kondratieff believed that long wave skeptics misunderstood the nature of economic shifts. To many, periods of faster economic growth and slower economic growth would be condition by extra-economic factors (like technology, war, gold production, or the integration of new countries into the trading sphere). Kondratieff conceded that many factors affect production, but he found no evidence to suggest that they flow from something external to the global economy.

Nonetheless, one wonders: what causes long wave change? Kondratieff left this question unanswered,<sup>28</sup> and he did not have the opportunity to elaborate. The Soviet Union interpreted his studies as reinforcing the stability of global capitalism, which Moscow had always contended was on the verge of collapse. According to Kondratieff's reasoning, the post-World War I downturn would be followed not by imminent collapse, but by a future expansion. In 1930, he was arrested on political grounds and shipped to Siberia.<sup>29</sup>

Wallerstein called for greater investment in the study of long waves. In his opinion, there had not been much progress since such waves were first proposed.<sup>30</sup> Wallerstein also expressed frustration at the inability of scholars to advance a theoretical model for conceptualizing long waves.<sup>31</sup> But he nonetheless believed world-systems analysis could provide the necessary theoretical scaffolding. Wallerstein viewed waves as phenomena of the capitalist world-economy

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<sup>28</sup> In one piece, Kondratieff wrote that it was not his objective to find the cause of such waves, only to substantiate that they exist: "long waves arise out of causes which are inherent in the essence of the capitalistic economy. This naturally leads to the question as to the nature of these causes. We are fully aware of the difficulty and great importance of this question; but in the preceding sketch we had no intention of laying the foundations for an appropriate theory of long waves" ([1926] 1979, 543-544).

<sup>29</sup> See George Garvy, "Kondratieff's Theory of Long Cycles," *The Review of Economics and Statistics* 25, no. 4 (1943): 203-220.

<sup>30</sup> Wallerstein 1984c, 562.

<sup>31</sup> "[David] Gordon is absolutely right when he says that the Achilles heel of Kondratieff analysts is their failure 'to elaborate a coherent (much less unified) theoretical foundation for their interpretation of long cycles'" (Wallerstein 1984c, 562-563).

as a whole, not as separate national happenings. He also thought that the data thus far suffered from being state-oriented in nature and too focused on the *effects* of cycles and not the actual cycles. He asked: what if findings from states do not hold for the world-economy? “Worst of all,” Wallerstein reflected, existing state-based studies do not account for divergences between various zones in the world-system.<sup>32</sup> The emphasis on effects is less harmful, although inexact. The use of measures like prices, technological innovation, production, and gold reserves are too far removed from the real thing. “All of these, I have little doubt myself, go up and down in complex interlinkage with the Kondratieffs, but they are Plato’s shadow in the cave.”<sup>33</sup> Thus, he thought the goal for world-systems should be to measure the items directly, not the shadowy projections from icons

How can long waves be measured directly? Wallerstein proposed examining profit-rates and similar signs of profit increase or decline. Profit-rates must have been especially appealing to Wallerstein because he defined capitalism itself in terms of the endless accumulation of capital. It follows that rises and declines within the world-economy can be identified by finding how much capital is being accumulated.

Wallerstein acknowledged that measuring profit-rates was difficult and was even more challenging when one attempted to measure profit for the entire world-economy (not for an individual state). But he did not think it was unobtainable. After all, he wrote, entrepreneurs make such calculations every day:

No doubt their knowledge is limited and faulty. No doubt they make mistakes. But if the capitalist system is to work at all, and it has been working for some time now, capitalists as a whole must make more correct decisions than wrong

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<sup>32</sup> Wallerstein 1984c, 563.

<sup>33</sup> Wallerstein 1984c, 564.

ones, or we should find ourselves in a situation of far wilder oscillations than we do now. Cannot scholars collectively retrace the path of investors...?<sup>34</sup>

Given that entrepreneurs, investors, and other capitalists make calculations at the scale of the entire world-economy, why do skeptics voice such concern over long waves? Like Kondratieff, Wallerstein acknowledged that data was hard to find over such a grand geographic and historical scale. But he thought that the real reasons were perhaps psychological and political in nature. One was that governments can do something about short-term cycles and are less able to affect the world-economy in the long term. States simply wish to promote an efficacious economic image.<sup>35</sup>

A second reason to deny the existence of long waves was an inability to acknowledge capitalism as a historical system: if one accepts the premise of long waves, then one must also admit that capitalism cannot last forever. Ironically, Kondratieff's writings, which had so angered the CPSU, actually demonstrated Moscow's claim of capitalist instability.

Finally, most research on world politics emanated from core zones of the capitalist world-economy. Governments had an incentive not to promote studies acknowledging that the well-being of such core zones was predicated on the immiseration of the periphery. At heart, capitalists never labeled fast periods of growth as "positive," nor slow periods of growth as "negative." Individuals, states, or zones of the world-economy may suffer or benefit in either phase. "It is all 'positive' from the standpoint of the system."<sup>36</sup>

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<sup>34</sup> Wallerstein 1984c, 565.

<sup>35</sup> Such [economic] processes are not subject to the control of the various states; rather they are the parameters within which state politics must be carried out. To study them is to reflect upon the working of the system as whole over its entire history" (Wallerstein [undated], 4-5).

<sup>36</sup> Wallerstein 1984c, 572.

## World Politics during Periods of Slow Growth

However disputed, the application of long waves shows divergent patterns of political behavior from periods of expansion to periods of contraction. In other words, we can expect merchants, landlords, laborers, and diplomats to behave differently in such times of crisis than during periods of rapid growth. Wallerstein's history of the seventeenth century downturn shows actors hunkering-down, struggling to hold on to their wealth and status positions.<sup>37</sup>

The seventeenth century was, for Wallerstein, a period of consolidation for the capitalist world-economy.<sup>38</sup> Geographically, the world-economy neither shrank nor expanded. Fearing a slide to a disadvantageous position in the world-system, nation-states weathered the downturn. Powerful governments did not colonize new lands. Instead, such actors shifted costs onto those less well-off. Core zones shifted burdens onto the semiperiphery and periphery. And upper classes in all zones shifted burdens onto lower classes. Agriculture and industry declined. Food prices dropped, land reclamation came to a halt, and peasant farms were increasingly confiscated by landowners. Monetary holdings reduced and credit became scarce. It was a time of hunger and malnutrition.<sup>39</sup>

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<sup>37</sup> Wallerstein (2011c, xiii-xv) identified the following logistical cycles spanning the transition between the middle ages and modern world:

A-phase: 1000 (or 1100)—1250

B-phase: 1250 (or 1300)—1450

A-phase: 1450—1600 (or 1650)

B-phase: 1600 (or 1650)—1700 (or 1750)

Then, following the seventeenth century downturn was another upswing in the eighteenth century.

<sup>38</sup> For many historians, the seventeenth century comprised the last convulsions of feudalism. In Wallerstein's opinion, it was wrong even to think (as Balibar and Clark did) that 1750 was the *end* of the period of transition marked by industrialism. It was also wrong to think (as Chaunu and Hobsbawm did) that 1650 is a good breaking point, marked by capitalist states and the modern thought of Spinoza and Locke. These were all products of a more fundamental transformation that happened much closer to 1500 than any later date. They were different kinds of crises, and produced different effects. The seventeenth century was merely an age of adjustment. For the entire argument, see Wallerstein 1980a, 2-34.

<sup>39</sup> Wallerstein 1980a, 13-18.

According to Wallerstein, the first geopolitical effect of the economic downturn was the decline of the world's dominant power, the United Provinces. France and Great Britain then fought for hegemony. The key to survival was mercantilism. State bureaucracies strong enough to enforce taxation and direct investments profited, economically and politically, from their interventions. Mercantilism thus became the norm for the core. Bureaucracies in the semiperiphery attempted mercantilism, but lacked the capacity to fully exert their will. Peripheral bureaucracies could do even less. Labor and class relations also changed. Through repression or co-optation, upper classes in the core worked to nullify the potential political power of lower classes. The experiences of Great Britain and France show that not all core states were equally successful. In the semiperiphery and periphery, the severity of the crisis meant a return to various forms of forced labor, including slavery. Wallerstein described this normal downturn in *The Modern World-System II: Mercantilism and the Consolidation of the European World-Economy, 1600-1750*.<sup>40</sup>

#### *Struggle for Hegemony: The Core*

As the boom of the sixteenth century became the bust of the seventeenth, the first priority of core states was to maintain in the core. This was the backdrop from which all other activity took place. Their secondary concern was this: who will dominate within the core? Thus, the struggle for dominance among core states continued even as the world-economy entered a long-term phase of slow growth.

In the 1980s, the concept of hegemony was popular in international relations. According to Wallerstein, hegemony arises when one state develops disproportionate power and influence

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<sup>40</sup> Wallerstein 1980a.

over others. In his words, hegemony occurs when “the ongoing rivalry between the so-called ‘great powers’ is so unbalanced that one power can largely impose its rules and its wishes...in the economic, political, military, diplomatic, and even cultural arenas.”<sup>41</sup> Hegemonic status arises from disproportionate economic efficiency in agro-industrial production, commerce, and finance. Such one-sided dominance, for Wallerstein, made hegemony is a rare event. He found that have only been three hegemonic powers in the modern world: the Dutch, the British, and the American.

Wallerstein departed from his contemporaries, however, in his normative interpretation of hegemony. For realists like Charles Kindleberger, Robert Gilpin, or Stephen Krasner, the international economic system needs a hegemonic power for stability. Their view was aspirational in the sense that they envisioned leadership as necessary for economic growth, and consequently, well-being. According to Kindleberger, the “international economic and monetary system needs leadership, a country which is prepared...to set standards of conduct for other countries... [and] to get others to follow them.”<sup>42</sup> The realist conception of hegemonic stability was thus also a profoundly conservative one, favoring order and stability over equality.

For Wallerstein, the normative question was not whether a great power’s leadership could foster growth, but rather how great powers used their greatness to advance their own interests at the costs of others. In the seventeenth century, great powers sought self-preservation (and hopefully, advancement) by preventing the advancement of other actors. Core states sought to prevent semiperipheral and peripheral states from expanding their power (political and

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<sup>41</sup> Immanuel Wallerstein, “The Three Instances of Hegemony in the History of the Capitalist World-Economy,” in *The Essential Wallerstein* (New York: The New Press, [1983a] 2000a, 253-263), 255.

<sup>42</sup> Quoted in Cohen 2008, 71.

economic) in the world-system. As Dutch hegemony declined, France and Great Britain struggled against one another for paramouncy.

Neither hegemony nor a balance of powers (hegemony’s antithesis) happens by chance. They arise from a specific confluence of economic and political events (compared in Table Two). In terms of economic history, hegemony occurs at a flat point between an A-phase and B-phase, just as growth is halting and a contraction begins. Then, a long (roughly thirty year) war occurs between the two potentially economic powers and ends with one achieving dominance over the other.<sup>43</sup>

*Table Two: Factors Determining Hegemony*

<b>Hegemonic Power</b>	<b>Economic Peak</b>	<b>World War</b>	<b>Triumph over...</b>	<b>Interstate Restructuring</b>
United Provinces (1625-1672)	1600-1650	Thirty Years War (1618-1648)	Hapsburg Empire	Peace of Westphalia
United Kingdom (1815-1873)	1810-1817	Napoleonic Wars (1792-1815)	France	Concert of Europe
United States (1945-1967)	[uncertain]	Euroasian wars (1914-1945)	Germany	UN and Bretton Woods

Once hegemony is achieved, a major diplomatic agreement solidifies the new interstate arrangement. Contending powers will attempt to enlist the declining great power as a “junior

<sup>43</sup> Wallerstein cautions that these are approximate dates ([1983a] 2000a, 257-259).



partner.”<sup>44</sup> Once a part of the great power’s economic preeminence (whether agro-economic, commercial, or financial) disappears, political alliances start to change, and, after some time, a new dominant power might emerge.

The modern world-system’s first hegemonic power, the United Province, became powerful just as the period of slow growth began. But the underlying institutional relationship between Dutch merchants and the government was determined during a secular A phase. The machinery of Dutch governance was already in motion as the world-economy slowed. The means by which the United Provinces rose to dominance could only be partially replicated. Like the Dutch, the next hegemonic power of the world-system would have to be efficient in the production of goods.<sup>45</sup> But unlike the United Provinces, the next hegemonic power would have to intervene greatly in the affairs of its merchants. For Wallerstein, state strength did not necessarily coincide with economic intervention. Strength, in Wallerstein’s writings, meant not only the capacity of the state but the need to intervene in the affairs of merchants. The United Provinces had little such need to engage in mercantilist policies, and thus did not engage in interventionist the model of France or England.<sup>46</sup> But when necessary, the United Provinces did not hesitate to advocate on behalf of its merchants. The question was not one of being

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<sup>44</sup> Wallerstein [1983a] 2000a, 259.

<sup>45</sup> The Dutch ascended because the growth of their fishing and whaling trade led to shipbuilding, which in turn increased dominance over North Atlantic fisheries. Meanwhile, the Dutch transformed agro-geological disadvantages in soil quality and elevation above sea level into advantages through technological innovation (pumps, drainage systems, and windmills) and the development of industrial crops (like flax, hemp, hops, and dyes) (Wallerstein 1980a, 40-41). Fishing and agricultural efficiencies, in turn, bred other efficiencies in textiles and shipbuilding. Together, this collection increased the country’s capacity for war. Wallerstein was impressed by the Dutch shipbuilding machine that spurred commerce. He noted: “It was highly mechanized and used many labor-saving devices—wind-powered sawmills, powered feeders for saws, block and tackles, great cranes to move heavy timbers—all of which increased productivity. The linkage with an industrial-commercial complex is striking.” Perhaps more striking was that these developments hinged on environmental factors: “It is estimated that one warship required 2000 oak trees that needed a century of maturation so the wood would not split too easily; and 2000 oak trees required at the time 50 acres of woodland” (1980a, 43).

<sup>46</sup> Wallerstein 1980a, 60.

mercantilist or liberal (free market). According to Wallerstein, the “Dutch state defended the interests of its entrepreneurs and worried little about ideological consistency in doing so.”<sup>47</sup>

Regardless of state policies, or ideology, or the innovativeness of the merchant class, hegemony does not last forever.<sup>48</sup> Wallerstein reminded readers that the very “fruit of hegemony is ‘decline’”.<sup>49</sup> The benefits of hegemony last long after material decline has set in, and persist in the minds of merchants and diplomats. The “process is not as painful as one might think because it is scarcely perceived until long past the peak.”<sup>50</sup> In the late 1600s, decline was setting-in, but the reputation of the Dutch lasted well-into the 1700s. Wallerstein remarked: “As late as 1728, Daniel Defoe was still referring to the Dutch as the ‘Carriers of the World.’”<sup>51</sup> In some circles, the reputation of the United Provinces remained intact as late as the French Revolution.

Wallerstein attributed Dutch decline to a combination of factors: the overall world-economy was shrinking just as France and Britain were resolving long periods of internal turmoil and inter-state war. The Thirty Years’ War and the Eighty Years’ War came to an end. But hegemonic decline is most signified by the rise of others. France and Britain brought the United Provinces down. For the next 150 years, the world-system was without a dominant power. This is the capitalist world-economy in a relatively normal state. Just as hegemony is rare, so too is its opposite: an even distribution of power among political centers. Wallerstein therefore dated the Dutch decline to around 1670 and identified the start of English hegemony around 1815.

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<sup>47</sup> Thus, the question was not one of how much a state used mercantilism, but whether it needed mercantilist policies in the first place (Wallerstein 1980a, 61).

<sup>48</sup> In other words, the structural constraints that prohibit transformation into a world-empire also block permanent hegemony.

<sup>49</sup> Wallerstein 1980a, 70.

<sup>50</sup> Wallerstein 1980a, 70.

<sup>51</sup> Wallerstein (1980a, 46), citing *A Man of the English Commerce*.

Ultimately, England outdid its chief rival by investing in a navy (as opposed to an army), mediating domestic class conflict, and by attracting Dutch investment. Slowly, England outpaced France over time, even though it did not have a great advantage over its rival from the very start. Neither state could have not the outcome of their struggle at the time.

England more cleverly navigated class antagonisms than did France. Both states taxed heavily, but England's plan was more concealed and thus met less resistance.<sup>52</sup> When monarchies were challenged in the second half of the 1600s, France preserved its social hierarchy, while competing classes in England reached a compromise. In England, members of the bourgeois class saw their interests best fulfilled through compromise with the upper strata. Wallerstein explained: "It was at this time that the two concepts *working class* and *dangerous classes* began to be linked."<sup>53</sup> This kind upper-class solidarity would not happen in France until well into the nineteenth century. England's early resolution of this problem made for greater stability in the long run.

France had considerably more domestic resources like timber at its disposal and thus seemed to be the likely heir to the hegemonic throne. England had fewer resources, and thus needed to be inventive if it had any chance of overcoming its rival.<sup>54</sup> Thus, England's material needs forced it to explore alternatives. To conserve wood, it expanded coal production and fostered trade (England traded for iron and timber). Eventually, it built an economic apparatus that far exceeded France's ability to produce from within its borders.<sup>55</sup>

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<sup>52</sup> France's tax program was more visible and more contested. Thus, it was more important how a state resolved class disputes than the degree to which it centralized authority into a single absolutist summit. Denmark, for instance, established absolutism and yet remained in the periphery (Wallerstein 1980a, 221-222).

<sup>53</sup> Wallerstein 1980a, 125, original italics.

<sup>54</sup> Wallerstein 1980a, 99-100.

<sup>55</sup> Wallerstein summarized: "Perhaps the point is that France was *better off* economically than England. It had fewer needs pushing it into the development of 'foreign' trade" (1980a, 104).

Competing powers often have to borrow money. For a time, both France and Britain had to “live beyond their incomes.”<sup>56</sup> The better-performing British government inspired confidence in investors the way France could not. “Confidence largely reflects economic reality. Success breeds success, and failure breeds failure.”<sup>57</sup> In the 1690s, the French state borrowed against future tax revenue and devalued its currency. This was tantamount to the creation of a new currency based on trust. The gamble did not pay off. The British, meanwhile, attracted Dutch investors who found it more profitable to use the Bank of England than the United Provinces, which could not match the interest rates that its counterpart was offering.<sup>58</sup> Although Amsterdam remained the modern world-system’s investment capital until 1763, the gradual shift to London began in the 1690s. In the history of the modern world-system, the falling hegemonic power usually aids in the ascension of the next hegemonic power—playing the role of a kind of world-economic kingmaker.

Differences between Great Britain and France deepened in the 1700s. “As the eighteenth century proceeded, the financial centrality of England in the world-economy increased while France’s decreased because the French state was not as strong as the English state.”<sup>59</sup> Meanwhile, class struggles were multiplying in France. France’s internal differences would ultimately explode in 1789. New forms of identity were rising up and shaping social behavior. This, combined with French debt in the 1760s, set the aristocracy up for a collision with lower classes.

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<sup>56</sup> Wallerstein 1980a, 277-278.

<sup>57</sup> Wallerstein 1980a, 278.

<sup>58</sup> By this point, Wallerstein writes, Holland’s government could only offer 2.5% interest and the Bank of England could guarantee an impressive 6% return.

<sup>59</sup> Wallerstein 1980a, 284.

Motivated by economic exhaustion and fear of semiperipheralization, the French state attempted one last effort against the British. Both had debt in the 1770s, but while French debt grew in the 1780s, British debt shrank considerably.<sup>60</sup> France had expected its involvement in the American Revolution to be part of its triumph over Britain,<sup>61</sup> but the opposite turned out to be true. Even though its American allies won,<sup>62</sup> the French state teetered on bankruptcy.<sup>63</sup> Great Britain, now free from some of its colonial expenses, marched on to hegemony unhindered.<sup>64</sup> Thus, the long-term trajectory of France culminated in 1789, and finally gave way to British hegemony by 1815. Wallerstein saw parallels between France's economic reforms and the International Monetary Fund's loan programs of the twentieth century. In his opinion, so-called reforms benefited some agricultural entrepreneurs and hurt manufacturing groups, and left "indebted governments with balance of payments difficulties."<sup>65</sup>

Core states in the seventeenth century's time of slow growth thus scrambled to avoid falling into the semiperiphery. It was simultaneously a battle for hegemonic status within the world-system. This discussion shows that, even during an overall time of hardship, some actors nonetheless perform very well. But, far from the claims of hegemonic stability, Wallerstein's writings show that some actors did not perform well in this period of consolidation.

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<sup>60</sup> Wallerstein 1989a, 85.

<sup>61</sup> In Wallerstein's account, France also feared "the possibility of an independent and unfriendly United States" (1989a, 218).

<sup>62</sup> Somewhat outside the scope of this study, it is worth noting Wallerstein's account of the American Revolution. In his telling, it was not about fundamental human rights. It was about unfair economic practices. Quoting Arthur Schlesinger, Wallerstein remarks that the "doctrine of the rights of man" was only invoked when the "rights of Englishman...became untenable" (1989a, 205). This new vision of universal rights then took hold: "In the middle of serious political strife, we all tend to use whatever arguments are at hand, and sometimes, no doubt, we come to believe passionately in their validity. Later we like to think that we always felt the way we ended up feeling" (1989a, 205).

<sup>63</sup> Wallerstein 1989a, 84.

<sup>64</sup> Wallerstein 1989a, 226-228.

<sup>65</sup> Wallerstein 1989a, 90

*The Scramble: The Semiperiphery and Periphery*

What happens in the other regions of the world-economy during a contraction? Wallerstein thought, first of all, that core states shifted the burden downward, to semiperipheral and peripheral zones. Second, dominant classes within the semiperiphery and periphery shifted costs to the lower classes. This ensured that economic hardship was felt at the bottom, not the top.

Semiperipheral states, like core ones, saw that it was in their interest to be economically active. But they, unlike core states, could not muster the necessary strength to make mercantilism work. Some historians have labeled these non-efficacious policies pseudomercantilism, whereby state policies only benefited a few local officials.<sup>66</sup> But, in Wallerstein's impression, the fact that they could institute mercantilist policies at all was significant because governments in the periphery could not. This distinguished middle-range states from great powers and poor ones. We should not "ignore the difference between the semiperipheral countries, which could be at least pseudomercantilist, and the peripheral countries, which not even be that."<sup>67</sup>

Semiperipheral areas whose power declined included Spain, Portugal, the western and southern Germanies, and northern Italy. Those whose power improved were Sweden, Prussia, and northern Atlantic colonies in British North America. The ones who improved effectively used mercantilist policies and fed off of the declines of others. In other words, they acted more like core areas.

Wallerstein described Spain's decline as "the most spectacular phenomenon of the seventeenth century—visible even to the men of the time."<sup>68</sup> In the previous century, Charles V

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<sup>66</sup> Wallerstein points to Jacob Van Klaveren and Pierre Deyon as characterizing the semiperiphery this way (1980a, 233 fn346).

<sup>67</sup> Wallerstein 1980a, 233.

<sup>68</sup> Wallerstein 1980a, 179.

had attempted to control the entire European world-economy, and thus form a world-empire, but failed. Imperial exhaustion increased during the seventeenth century. Crown expenses, wars, a restless lower nobility, and an obstinate merchant class (who favored Dutch-style free trade) blocked the successful application of mercantilism. Spain incrementally lost control of its colonies to core states, and where it did not lose juridical possession, England and France undercut its ability to profit by purchasing illicit goods seized by buccaneers.<sup>69</sup> Spain steadily declined from 1600 to 1750, and became in Wallerstein's estimate, "a passive conveyor belt between the core countries and Spain's colonies."<sup>70</sup> Spain was also an important reminder to the core states that coreness was not guaranteed—that one

Portugal, too, attempted mercantilism to extract itself from its conveyor-belt position. After independence from Spain, Portugal made a "valiant effort" in the 1670s and 1680s, but failed. Portuguese officials modeled their actions after the French. They built industries and tried making bullion investments attractive. But anti-mercantilist forces within Portugal triumphed. Industrialists prevented the state from becoming too powerful at home and soured its partnerships with France by selling wine to North American colonies after French wine had been banned.<sup>71</sup>

By contrast, Sweden developed a strong, effective, mercantilist state. It built an impressive army, increased wealth through iron and shipbuilding, and constrained the lower nobility by bring them into government service. War with Russia in 1700, however, revealed

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<sup>69</sup> Wallerstein 1980a, 158.

<sup>70</sup> Wallerstein 1980a, 185.

<sup>71</sup> Wallerstein 1980a, 187.

Sweden's weaknesses, and it lost its eastern Baltic possessions to Russia, part of its German possessions to Prussia, and of course, all of the profits that came from those lands.<sup>72</sup>

Upper classes in the periphery were not able to create strong states capable of minimizing internal conflicts.<sup>73</sup> The periphery suffered the worst effects of contraction. For example, in many places, cost-shifting onto lower classes involved the retraction of wage-labor. This meant a return to serfdom in Eastern Europe and the imposition of slavery in Hispanic America. Although anachronistic and inefficient, these measures ensured for the bourgeoisie and nobility a temporary insulation from the effects of contraction.<sup>74</sup> In both cases, the producers needed to cut costs.

When times are hard, there are two ways to maximize sales for a producer—reduce costs and eliminate competitors. The magnates (and the nobles) sought to reduce costs by increasing *corvée* [unpaid, forced] labor, as opposed to wage labor. This not only reduced average cost but *increased* total production, a second means of compensating for losses growing out of reduced market prices...<sup>75</sup>

In Wallerstein's assessment, the nobility and the bourgeoisie in Eastern Europe were capitalist entrepreneurs making necessary adjustments during a difficult time. Conversely,

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<sup>72</sup> Thus, it is noteworthy that Sweden's rise was limited by a force external to the world-economy. Russia had not yet incorporated in to the modern world-system. For Wallerstein, world-systems were not totally self-contained entities. Contact between world-systems can occur by trading luxury goods or even going to war.

<sup>73</sup> Wallerstein 1980a, 142.

<sup>74</sup> Cost-shifting happened throughout the periphery. Wallerstein disliked the label "refeudalization." He thought it was better to think of this process as the "inflation of the nobility" or "the commercialization of the fief." These expressions were coined by László Makki and Emilio Sereni, respectively (quoted in Wallerstein 1980a, 142 and 147). Whatever the expression, the process more a matter concerning the upper strata's economic and political authority than a transition in the mode of production from below. In other words, the return to serfdom was a capitalist process, not a rejection of it.

<sup>75</sup> Wallerstein 1980a, 136-137, original italics.



peasant laborers in this sense were really semi-proletarians,<sup>76</sup> adapting to capitalist processes.<sup>77</sup>

The so-called resurgence of feudal relations was simply a way to save money.

But if *corvée* labor is more cost-effective, why not use it all the time? Why pay workers by a wage at all, even in times of growth? Wallerstein considered the shift a temporary solution, and thought that over time productivity would diminish without incentive.

In the long run, this excess-output would tend to exhaust the peasant's labor potential and be counterproductive; but it would nonetheless in the medium-run ensure that the bulk of the loss from a weak world market was borne by the peasant...<sup>78</sup>

What producers ideally wanted was a moderate amount of coerced labor.<sup>79</sup> Too much forced labor, and productivity declines. Too little forced labor, and workers demand better pay and working conditions. For this reason, the nobility and bourgeoisie were typically quite happy with non-proletarian workers. Wage-laborers may be more productive, but net profits go down due to associated costs.<sup>80</sup> Of course, this did not resolve class antagonisms. But it did insulate the elite from hardship, which was their intention all along.

The story in Hispanic America was more complex. The periphery in the Americas stretched from what today would be northeast Brazil to Maryland, and became increasingly under the control of major core powers (the United Provinces, France, and Great Britain).

Wallerstein called the region as the "extended Caribbean."<sup>81</sup> The extended Caribbean produced

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<sup>76</sup> Wallerstein 1980a, 137.

<sup>77</sup> Producers and peasants behaved as capitalist entrepreneurs and proletarians even though they still conceived of their roles in pre-modern terms (Wallerstein 1980a, 289).

<sup>78</sup> Wallerstein 1980a, 139.

<sup>79</sup> In the same discussion, Wallerstein writes, "a *medium* rate [of *corvée* labor is] more suitable for times of market expansion" (1980a, 139, original italics).

<sup>80</sup> Wallerstein first made this point in a 1982 series of lectures at the University of Hawaii. They were published as *Historical Capitalism* (London: Verso, 1995b, 2<sup>nd</sup> ed.).

<sup>81</sup> Wallerstein 1980a, 167.

goods unique to its soil and climate—for example, sugar, tobacco, and gold. Slavery was imposed as it became harder to attract European settlers (because the promise of good land at the end of the worker’s term no longer tenable). “If an indentured laborer could not look forward to his reward, why would he suffer the brutal service on the plantation?”<sup>82</sup> In Hispanic America, the combination of soil erosion and land concentration made slavery economically necessary.<sup>83</sup> In places like French Canada, which did not suffer from soil exhaustion, indentured labor continued.<sup>84</sup>

### **Periods of Expansion**

In the late eighteenth century, the world-economy shifted from a B-phase to an A-phase. The behavior of all actors changed considerably. Wallerstein described this process in *The Modern World-System III: The Second Era of Great Expansion of the Capitalist World-Economy, 1730-1840s*, published in 1989, fifteen years after the series began. It was a time of not only recovery but expansion. The world-system grew intensively, in terms of profit rates and the types of goods it created; but the world-system also grew extensively, in terms of its sheer geographic size.

### *Incorporation*

Wallerstein thought that geographical expansion was not just something the capitalist world-economy did; it was something it *needed* to do. It was the primary mechanism by which capitalism survived. Since capitalism’s objective was the endless accumulation of capital, the system must do three things: increase output through technology (mechanization) and

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<sup>82</sup> Wallerstein (1980a, 172), quoting from Ralph Davis’ *The Rise of the Atlantic Economies* (1973).

<sup>83</sup> Adding to the cost was the fact that American Indians, more susceptible to disease, could not be pressed in large numbers into slave captivity. Thus, it is well known, European producers enslaved African peoples instead (Wallerstein 1980a, 173).

<sup>84</sup> “The fact that land did not give out is exactly the reason that indentured labor survived in French Canada and not in the French Antilles” (Wallerstein 1980a, 172 fn217).

commodification (the “commodification of everything”);<sup>85</sup> widen the gap between core and periphery (while reproducing semiperipheral zones); and finally, it must continue to expand, bringing external areas into the periphery.<sup>86</sup>

According to Wallerstein, world-economies are historically unusual and fragile entities. The drive for unceasing capital accumulation helps the world-economy avoid being either pulled apart or pushed together into a world-empire. And after consolidation (like that of the seventeenth century), the system needs low-cost labor in order to keep growing. Low-cost production (specifically cheap labor) can “compensate for other pressures which tended to raise the cost of labor” in the existing world-economy.<sup>87</sup> These pressures include the demands of laborers for better working conditions and compensation as well as ecological of resource scarcity and soil exhaustion.

But the modern world-system did not expand all at once. The history of capitalism has been one of expansion, consolidation, and expansion again. In the eighteenth century, only a few new zones were brought into the world-economy: the Indian subcontinent, Ottoman Empire, Russian empire, and West Africa. These places all followed the same pattern of incorporation followed by peripheralization. (The exception, of course, is Russia, which joined the semiperiphery.) Benefits of incorporation are virtually nonexistent. Thus, the process is more like that of a fly caught in a spider’s web. Previously free, the fly becomes so caught up in the web that it cannot escape. The spider feeds on the fly, and the web expands.

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<sup>85</sup> Wallerstein 1995b, 16.

<sup>86</sup> This is the summary Terence K. Hopkins and Immanuel Wallerstein give in their article, “Capitalism and the Incorporation of New Zones into the World-Economy,” *Review* 10, no. 5/6 (1987): 763-779.

<sup>87</sup> Hopkins and Wallerstein 1987, 776.

External areas are different than flies in that they have contact with the world-economy prior to being ensnared. Russia, for example, had trade relations and went to war with against states in the European world-economy, but it was not a part of it. Trade with external zones consists of luxury goods, not of staples. The luxury trade consisted of goods sent over great distances, usually in small shipments, and consumed by the upper strata of society. The trade of staples consisted of things that were necessities, often in large shipments, and consumed by all social levels. Just prior to 1750, there had been a long-term imbalance of trade. Bullion flowed outward to the external zones, but these zones did not consume European goods at a high rate. Other than bullion, products from the European world-economy were not as desirable, which Wallerstein characterizes as proof that external zones “were not involved in the integrated links that constituted the commodity chains of the capitalist world-economy.”<sup>88</sup>

The process of incorporation can take a long time. It took roughly a century for India and the Ottoman and Russian empires to hook into the world-system. West Africa was a little longer. But by about 1850 or 1880, all became a part of the capitalist world-economy. Table Three shows this expansion.

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<sup>88</sup> Wallerstein 1989a, 137.

Table Three: The Capitalist World-Economy in 1750 and 1850

	Core	Semiperiphery	Periphery	External Areas
1750	Western Europe (France; Great Britain; United Provinces)	Austria; Brandenburg-Prussia; British North America (New England and Mid-Atlantic colonies); western Germanies; northern Italy; Portugal; Spain; Sweden; Switzerland	Christian Mediterranean (southern Italy); Denmark; east Elbia (eastern Germanies); Eastern Europe (Baltics, Czechia, Hungary, Poland); Hispanic America	Indian subcontinent; Ottoman empire; Russian empire; West Africa
1850	No change	Addition of: Russian empire	Addition of previous external areas: Indian subcontinent; Ottoman empire; West Africa	New: China; Fertile Crescent area (Middle East); Central Asia; West African savannah

The process was “never at the initiative of those being incorporated”,<sup>89</sup> and involved fundamental changes in production and governance. In terms of production, three changes happened:

1. *New export/ import patterns.* Cash-crop agriculture came to be widespread in the periphery, and local manufacturing activities were significantly curtailed or died out altogether. Often, this meant a process of *deindustrialization*. To be incorporated meant to provide goods as part of the world-system: “The self-sufficiency of the region was ceding place to the self-sufficiency of the world-economy.”<sup>90</sup>
2. *Larger economic projects.* Goods in the world-economy were made under the control of large-scale producers. These producers pushed local producers (of agriculture, textiles, and natural resources like copper) into positions of dependency. They created or took advantage of existing “bottlenecks of flows” to create a condition of dependency for the small-scale producer. For large-scale producers, the easiest way to seize control was through “debate bondage.”<sup>91</sup>

<sup>89</sup> Wallerstein 1989a, 129.

<sup>90</sup> Wallerstein 1989a, 148.

<sup>91</sup> Wallerstein 1989a, 153.

3. *Increased in coercive labor.*<sup>92</sup> Large-scale producers were unwilling to attract workers with a wages. Thus, they opted to coerce workers. The worker was made “to work harder...and longer (per day, per year, per lifetime).” Meanwhile, “the formal rights or juridical status of the worker, and, therefore, the range of his options in relation to his work” were altered.<sup>93</sup> This was especially true for agricultural laborers, who, had they been truly free, would likely have chosen work with less hardship. Thus, as we have previously seen, the flip side of progress (which for capitalists means expansion) is a regression of workers’ rights and standards of living.<sup>94</sup>

In terms of governance, incorporation meant the formation of states. No external zone was a state prior to incorporation, but they developed state structures as part of the integration process.<sup>95</sup> These states, however, were neither strong nor weak and were diplomatically linked to other states. Wallerstein hypothesized if states are too strong, they may wish to break from the world-system and use a calculus “other than that of maximizing the accumulation of capital in the world-economy.”<sup>96</sup> Conversely, states that are too weak cannot protect the flows of capital in and out of their borders.

States were needed not merely to establish order but to create *favorable* order. In West Africa, “anarchy” brought “unfavorable order,’ that is, order that is capable of resisting incorporation.”<sup>97</sup> In other words, merchants in core zones required a malleable and what appeared to be an impressionable local governing apparatus to facilitate incorporation. Likewise, the transition on the Indian subcontinent entailed the displacement of the Mughal Empire and

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<sup>92</sup> Wallerstein wished to “dispense with the myth that corvée labor was necessarily inefficient labor” (1989a, 161).

<sup>93</sup> Wallerstein 1989a, 157.

<sup>94</sup> This also reinforces the distance between Wallerstein and Perry Anderson. Whereas Anderson saw serfdom as a stage of historical economic development that no nation could escape, Wallerstein believed serfdom and slavery could appear as part of economic development.

<sup>95</sup> For Hopkins and Wallerstein, this is the first observation to be made about new modes of governance: “One must start by noting that no political structure in a zone external to the world-economy, whatever its form, was organized in the particular mode that became characteristic of the states in the interstate system of the world-economy. Hence upon incorporation existing political structures had to be at the very least greatly reorganized, and maximally entirely eliminated and replaced by new structures” (1987, 778).

<sup>96</sup> Wallerstein 1989a, 171.

<sup>97</sup> Wallerstein 1989a, 188.

multiple small political structures for a “single (but complex) administrative unit, India, which was however nonsovereign.”<sup>98</sup>

Russia was unusual in that it joined the world-economy as part of the semiperiphery. Wallerstein attributed this to Russia’s ability to hold off “wolves at the door,”<sup>99</sup> and its resistance to deindustrialization. Its ability to maintain its industrial production gave Russia an advantage over other incorporated zones.<sup>100</sup>

Wallerstein’s account of incorporation offered new insights as to how world-systems interact with one another. The “external” areas are not simply places outside the world-system; they already have relations with the world-system. An external zone is an area “from which the capitalist world-economy wanted goods but which was resistant (perhaps culturally) to importing manufactured goods in return and strong enough politically to maintain its preferences.”<sup>101</sup> Furthermore, once external areas become part of the world-system, they tend to pull their neighbors into the role of “external zone.” Russia and India pulled in Central Asia and China. The Ottoman Empire pulled in parts of the Middle East. And West Africa pulled in parts of the savannah zone.

Logistical A-phases of the world-economy usually mean times of geographical expansion and an increase in profit rates. Laborers in the existing world-economy may, through collective action, see an increase in well-being; laborers in newly incorporated zones do not. Expansion is desirable for the colonizing power precisely because labor is cheap and easily accessible.

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<sup>98</sup> Wallerstein 1989a, 178.

<sup>99</sup> Wallerstein 1974b, 315.

<sup>100</sup> “This limited ability to resist total deindustrialization, to which the continued relative strength of the Russian army was not an insignificant contributing factor, explains in part their ability to play a different role in the world-economy” (1989a, 152).

<sup>101</sup> Wallerstein 1989a, 167.

## **Long Waves in the Twentieth Century**

*The Modern World-System II* and *III* offer a template of what to expect on the world stage during times of contraction and during times of growth. Yet, before applying lessons from the seventeenth and eighteenth centuries, one must also consider Wallerstein's interpretation of the late twentieth century. For as he wrote about early modernity, he also believed that he was living during a time of great change. The late twentieth century, he thought, was bearing fruit from centuries prior. Contradictions forged in capitalism's early days were becoming more and more problematic for the world-economy, which had run out of mechanisms for repair and regrowth. As he wrote about the logistical down- and up-swing of the early modern world, he was reminded of the fact that such cycles are bound within capitalism as a historical system. Therefore, two aspects of the present must be addressed: the limitations of capitalism, signified by the present inability to geographically expand; and signs of the modern world-system in distress, signified by antisystemic movements. Moreover, the validity of Wallerstein's assessments was buttressed by the accuracy of his predictions for the 1990s and 2000s.

### *Limitations of Capitalism*

Wallerstein never believed that present conditions could last forever.<sup>102</sup> The world was not always capitalist, so why should one assume that capitalism was permanent? Other modes of production have also had auras of permanence. After all, who could have thought in the year 300 that the Roman world-empire would collapse? Capitalism, like any historical system, has "time-

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<sup>102</sup> Wallerstein summarizes the crisis of capitalism in his essay, "Typology of crises in the world-system," in *Geopolitics and Geoculture: Essays on the changing world system* (Cambridge: Cambridge University Press, [1988b] 1991b, 104-122).



boundaries.”<sup>103</sup> Wallerstein thought that the historical limits of capitalism should become common knowledge.

Wallerstein wondered how such a system could ever have been imagined, let alone promoted, as an effective system.<sup>104</sup> Such a system seemed unnatural to him because it relied on endless processes. Capitalists could expand production by improving technology, increasing commodification, and by reducing labor costs. Technology can increase the profitability of producing certain goods.<sup>105</sup> Profits can also be increased by turning more and more goods and processes into commodities. Colleges, hospitals, and even organs have been commodified as part of the consolidation of capitalism.

According to Wallerstein, owner-producers faced two dilemmas, one economic, one political. First, individual entrepreneurs, wishing to maximize their individual profits, try to reduce workers’ wages in order to reduce expenses. Yet when practiced by *all* producers, the net effect is to make profits more difficult to obtain because who will have surplus capital to *buy* goods?

[R]educing the wages of the workers of a given enterprise may increase profits of that enterprise. Because however every enterprise tends to the do the same, the cumulative effect is to reduce global effective demand and thereby make it more difficult for the collectivity of entrepreneurs to realize profit.<sup>106</sup>

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<sup>103</sup> Immanuel Wallerstein, “Historical systems as complex systems,” *European Journal of Operational Research* 30 (1987a): 203-207, 203.

<sup>104</sup> For Wallerstein, the logic of capitalism seemed absurd: “far from being a ‘natural’ system, as some apologists have tried to argue, historical capitalism is a patently absurd one. One accumulates capital in order to accumulate more capital. Capitalists are like white mice on a treadmill, running ever faster in order to run still faster. In the process, no doubt, some people live well, but others live miserably.... / The more I have reflected upon it the more absurd it has seemed to me.” Immanuel Wallerstein, *Historical Capitalism with Capitalist Civilization*, 2<sup>nd</sup> ed (London: Verso, 1995b), 40.

<sup>105</sup> “In this way, technological advance has created a situation of constant geopolitical restructure of the world-system, but has it *directly* undermined its viability? I suspect not” (Wallerstein [1980b] 1984b, 103, original italics).

<sup>106</sup> Immanuel Wallerstein, “Revolutionary movements in the era of US hegemony and after,” in *The Politics of the World-Economy: The states, the movements and the civilizations* (Cambridge: Cambridge University Press, [1981a] 1984b: 132-145), 133.

This fundamental contradiction caused cyclical periods of expansion and contraction. He called this the *economic dilemma*.

Then there was the problem of the nation-state. Entrepreneurs need the state to act on their behalf.<sup>107</sup> Yet for states to function, entrepreneurs must encourage nationalism as a “social glue” to hold the political system together. Inevitably, nationalism makes the state a location for social compromise that limits the accumulation of capital.<sup>108</sup> Non-capitalist movements, using nationalist rhetoric, often seek state power to right perceived social wrongs. He called this the *political dilemma*.

Until the late twentieth century, capitalism had always been able to delay the strangling effects of these dilemmas. It always could bring new territories inside the world-system. And owner-producers in newly incorporated territories rarely opted for proletarian workers. Today, however, the capitalist world-economy covers the entire globe. There are fewer processes to commodify, and workers will for labor rights. Most importantly, incorporation of new zones is no longer an option. Wallerstein was frank about capitalism’s prospects: “the structure must begin to collapse.”<sup>109</sup> But its death was not imminent. The crisis, he thought, would first intensify.<sup>110</sup> And that intensification was signaled in part by antisystemic movements.

### *Movements against the World-System*

The fight of low-ranking groups was a fight against capitalism itself. Beginning with the French Revolution, antisystemic movements became the way disadvantaged peoples have struggled for

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<sup>107</sup> Entrepreneurs “need to utilize state-structures as a crucial intervening mechanism in the construction and constant reconstruction of the world market” (Wallerstein [1981a] 1984b, 134).

<sup>108</sup> Wallerstein [1981a] 1984b, 134.

<sup>109</sup> Immanuel Wallerstein, “Crisis as Transition,” in *Dynamics of Global Crisis*, Samir Amin, et al (New York: Monthly Review, 1982b: 11-54), 23.

<sup>110</sup> See, for example, Immanuel Wallerstein, “Nationalism and the world transition to socialism: is there a crisis?” in *The Politics of the World-Economy: The states, the movements and the civilizations* (Cambridge: Cambridge University Press, [1983b] 1984b, 123-131), 126.

political change.<sup>111</sup> Although they were often unsuccessful, high-ranking groups have always correctly viewed movements as dangerous.<sup>112</sup> Great Britain, for example, repressed its own low-ranking groups when sympathy for French proletarians became widespread.<sup>113</sup>

For Wallerstein, there were two types of antisystemic movements: class movements and nationalist movements.<sup>114</sup> Both used a vocabulary of progress and human rights. They differed in whom they wished to liberate. Class movements (also known as social or labor movements) typically form in industrial centers and sought to liberate the proletariat (urban, landless, wage workers) from the bourgeoisie (merchants). National movements typically formed in the semiperiphery, and seek to liberate local residents from foreign powers.

Participants in both types of movements desired control of state power. In their attempts to seize authority, organizations often have to choose between advancement of the group and the general social equality. A low-ranking group “can seek to restructure the system such that all have equal rank. Or it can seek simply to move itself into a higher rank in the unequal distribution.”<sup>115</sup> This choice, Wallerstein thought, was ultimately not a choice at all. Because movement organizations desired state power, they needed to form alliances with groups who did not share their antisystemic values. The movements therefore proposed a reform of the system,

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<sup>111</sup> The French Revolution set the stage for class tensions in the modern world. It “provided the needed shock to the modern world-system as a whole to bring the cultural-ideological sphere at least into line with the economic and political reality” (Wallerstein 1989a, 111).

<sup>112</sup> Wallerstein’s writings on social protest reveal a Weberian element to his thought. For Weber, classes were economic divisions within society and status groups were honorific positions. Classes were created by property in the pre-modern world and wealth in the modern world. Status groups, he thought, could be the product of class, of race, or of one’s achievements (such as Knighthood). See Max Weber, “Class, Status, Party,” in *Essays in Sociology*, H.H. Gerth and C. Wright Mills, trans. and ed. (Oxford: Oxford University Press, 1946, 180-195).

<sup>113</sup> Wallerstein 1989a, 121.

<sup>114</sup> This typology is described in several writings. The three clearest descriptions can be found in Wallerstein ([1980b] 1984b, 104; 1995b, 67-69) and Giovanni, Arrighi, Terence K. Hopkins, and Immanuel Wallerstein, *Antisystemic Movements* (London: Verso, 1989).

<sup>115</sup> Wallerstein 1995b, 69.

even though the price of such reform was, inadvertently, to further strengthen the system.<sup>116</sup> By co-opting low-ranking groups, high-ranking groups could reinforce social order. Yet antisystemic movements were nonetheless consequential. The multiplicity of movements has, over time, led to changes within the system and will contribute to the system's demise.

There are a few seminal years in the history of antisystemic movements: 1789, 1848, 1917, 1945, 1968, and 1989 (and, we might add, 2011). Wallerstein indicated the two most celebrated years were most likely the French Revolution of 1789 and the Russian Revolution of 1917, but these were not the most significant years for the world-system. Those were 1848 and 1968. Both were years of hopeful movements, born in reaction to established systems of order (the Concert of Europe from 1815 and US hegemonic order from 1945). Both were also years of failures. "In both cases the bubble of popular enthusiasm and radical innovation was burst within a relatively short period."<sup>117</sup> Yet paradoxically, individual failure brought some success: "In both cases, however, the political ground-rules of the world-system were profoundly and irrevocably changed as a result of the revolution."<sup>118</sup> The movements of 1848 ushered in the Old Left, and prepared the ground for the Paris Commune and Russian Revolution. What, Wallerstein asked, has 1968 prepared the world for?

Wallerstein thought 1968 rejuvenated the Left. U.S. hegemony and containment policies had made life for many movements very difficult. In addition, revolutionary failures had made the Left unappealing: the Russian Revolution had inverted into Stalinist totalitarianism; social-democracies of Europe had become colonial repressors; and newly freed states were often

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<sup>116</sup> Wallerstein 1995b, 69, original italics.

<sup>117</sup> Arrighi, Hopkins, and Wallerstein 1989, 98.

<sup>118</sup> Arrighi, Hopkins, and Wallerstein 1989, 98.

engaged in their own brutalities.<sup>119</sup> But 1968 was as much a repudiation of the Left as an attack against the established power configuration.<sup>120</sup>

According to Wallerstein, four main changes resulted from 1968:

1. *Great powers had a diminished ability to dominant the Third World.* Difficulties in Vietnam and Afghanistan, despite vast military superiority, have only reproduced the “balance of terror” between the United States and the Soviet Union. Their actions have not increased their “capabilities to police the world, least of all its peripheral regions.”<sup>121</sup>

2. *Low-ranking groups became more defiant.* By the late twentieth century, low-ranking groups had become much less likely to follow the commands of their economic and social superiors. Even after the 1968 movements had ended, low-ranking groups (which consisted of workers, younger professionals, women, and ethnic minorities) were less likely to conform to the expectations of high-ranking status groups (which consisted of older professionals, men, and ethnic majorities).<sup>122</sup>

3. *Workers broke from merchants.* An extension of the first two, Wallerstein found labor more insubordinate than before 1968: “pre-1968 power relations between capital and labor have never been restored.”<sup>123</sup>

4. *Civil society broke from the state.* Completing his theme of defiance, Wallerstein found state-society relations in across the world to be more fractious. He singled out the “so-called dictatorships of the proletariat” as being especially problematic. Social insurgencies in the communist party states in Eastern Europe and Asia had reached a point where repression became ineffective. Soviet officials now lacked confidence in their ability to restore “crumbling [party] hegemony indefinitely by means of repression and purely cosmetic changes in party dictatorship.”<sup>124</sup>

Despite living during a period of conservative backlash by pro-systemic groups, the 1970s and 1980s appeared to Wallerstein to be something new. Labor had broken from capital,

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<sup>119</sup> Arrighi, Hopkins, and Wallerstein 1989, 100-101.

<sup>120</sup> In this sense, Wallerstein’s view was similar to Perry Anderson’s, although Anderson dated the shift to 1956 and French Socialist government’s actions in Suez. For Anderson, this betrayal was a sign that the European Left could not trust any government.

<sup>121</sup> Arrighi, Hopkins, and Wallerstein 1989, 104.

<sup>122</sup> Arrighi, Hopkins, and Wallerstein 1989, 104.

<sup>123</sup> Arrighi, Hopkins, and Wallerstein 1989, 104-105.

<sup>124</sup> Arrighi, Hopkins, and Wallerstein 1989, 106.

and, without a new zone to incorporate, the capitalist world-economy lacked a sufficient fix for reform. For the first time in its history, the contradictions of capitalism could not be resolved. Wallerstein believed they could only deepen. Antisystemic forces will attempt to change the system, while the establishment will seek to maintain it:<sup>125</sup> “The ongoing politics of the capitalist world-economy in the twentieth century can be seen as an overt, continuous struggle between the forces that sustain the system and those that seek to transform it.”<sup>126</sup>

### *Predictions for the 1990s and 2000s*

In light of long term waves of growth and decline, Wallerstein in the 1970s and 1980s made several geopolitical predictions. He noted that, at first, U.S. decline would look similar to other hegemonic declines. In 1975, he wrote:

Let me start by making a guess about the geopolitical alignments that will emerge in the next twenty years or so.... I would start by seeing the likelihood of a link-up between the European Economic Community and the Comecon countries.<sup>127</sup> Such a link-up makes a lot of sense on various dimensions. For western Europe, it would guarantee an immense market and resource base with which to emerge as the leading economic force.... For the USSR, it would guarantee the kind of advanced technology it needs to overcome its stagnant economic level. Politically, it could only be based on an updated version of social democracy. But this would of course delight the middle strata not only of western but also of eastern Europe...<sup>128</sup>

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<sup>125</sup> For a separate articulation of these effects, see Wallerstein’s essay, “1968, revolution in the world-system,” in *Geopolitics and Geoculture: Essays on the changing world-system* (Cambridge: Cambridge University Press, [1989b] 1991b, 65-83).

<sup>126</sup> Wallerstein [1983b] 1984b, 127.

<sup>127</sup> These were the Communist Party states of Europe who formed the Council for Mutual Economic Assistance, an organization designed to counter the West’s organizations for economic cooperation.

<sup>128</sup> Immanuel Wallerstein, “Old problems and new syntheses: the relation of revolutionary ideas and practices,” in *The Capitalist World-Economy* (Cambridge: Cambridge University Press, [1975c] 1979b, 231-249), 243.

Wallerstein was of course technically wrong in the sense that he imagined the Soviet Union alive in the 1990s. But he was still more right than wrong.<sup>129</sup> He saw the potential of greater economic cooperation between European countries, even as capitalism declined over the *longue durée*.<sup>130</sup> This was in fact the centerpiece of his vision of the future: the capitalist world-economy will move “upward” again, beginning around 1990,<sup>131</sup> while simultaneously cultivating those contradictions which will bring about its inevitable death.

In 1980, Wallerstein predicted the following:

I expect the world-economy to take a market upturn once again in the 1990s. The result of the turmoil and the realignments will in fact have been, as before, to increase world demand to a point high enough to stimulate a further expansion of world production.... We shall probably enter the year 2000 to the renewed hosannas of the rosy-eyed optimists of capitalist apologetics. This will be particularly true if we survive the critical 1980s without any serious interstate war.<sup>132</sup>

By the late 1980s, Wallerstein believed that the United States was trying to adjust to its slide from hegemony by adopting a “lower profile”: “détente, trilateralism, and a distinct lowering of the ideological decibels in the Third World.” Reagan’s reverse-course approach, which Wallerstein called “one of pandemic *machismo*,” had failed. Neither policy was successful. Wallerstein predicted that the United States was “probably about to embark on

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<sup>129</sup> In another piece, for example, Wallerstein anticipated a new configuration of powers in the world: “At the end of this present downturn (which may not come until 1990) there will probably be a new *interstate* political alignment of forces at the world level, reflecting a new phase in the economic history of the capitalist world-economy.” “Semiperipheral countries and the contemporary world crisis.” In *The Capitalist World-Economy* (Cambridge: Cambridge University Press, [1976a] 1979b, 95-118), 96.

<sup>130</sup> His picture of the alliance was not exact, but did correctly imagine it to be “far less ideologically justified.” On one side, he saw Western Europe (without Great Britain) and Eastern Europe (including the USSR). On the other side, Japan, China, and the United States. “Crisis as Transition,” in *Dynamics of Global Crisis*, Samir Amin, et al. (New York: Monthly Review, 1982b, 11-54), 43.

<sup>131</sup> Wallerstein later adjusts this date to “*circa* 2000” in “The capitalist world-economy: middle-run prospects,” in *Geopolitics and Geoculture: Essays on the changing world-system* (Cambridge: Cambridge University Press, [1989c] 1991b, 123-136), 124, original italics

<sup>132</sup> Wallerstein [1980b] 1984b, 111.

another eight-year attempt to stem the tide,”<sup>133</sup> and that Japan and Western Europe stood the best chances for replacing the United States’ economic strength.<sup>134</sup>

Wallerstein knew that his vision of the world would not be well-received. But he has recently noted that his assessment of decline and crisis has gained more support in recent years.<sup>135</sup> Given the accuracy of his predictions, it is worth applying his logic to the twenty-first century. In doing so, scholars should keep in mind that the long-term prospects for the world-economy are different than in previous centuries.

### **Applying Long Waves to the Twenty-First Century**

Two tendencies have been discussed here: one, capitalism’s long-term cycles of growth and contraction; and two, the current inability of capitalist expansion. What lessons, if any, can be discerned for the present? Scholars should look at the twenty-first century not only in terms of the long term trends of the capitalist world-economy, but the near term crisis of capitalism itself. Given these factors, social science should expect actors to behave in the same manner as they did at the end of the sixteenth century’s A-phase. But since this upturn concluded with the objective limits of geographical expansion, and since the cycle of consolidation and expansion cannot be completed, scholars should also expect states and merchants to express increasing frustration at the inefficacy of their efforts to stabilize the system.

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<sup>133</sup> Wallerstein [1989c] 1991b, 126, original italics.

<sup>134</sup> Wallerstein indicated that Western Europe had greater conditions for success, but that both would gain on the United States ([1989c] 1991b, 127).

<sup>135</sup> “I have long argued that U.S. decline as a hegemonic power began circa 1970.... I first starting writing about this in 1980 or so. At that time the reaction to this argument, from all political camps, was to reject it as absurd. In the 1990s...it was widely believed...that the United States had reached the height of unipolar dominance. However, after the burst bubble of 2008, opinion of politicians, pundits, and the general public began to change.” See Immanuel Wallerstein, “Consequences of U.S. Decline,” Commentary no. 364 (1 November 2013): <http://www.iwallerstein.com/consequences-decline/>.



IR's emphases on short term and very long term (virtually permanent) waves, respectively, might lead to the following assumptions: one, that a rebound of capitalism will lead to periods of growth like that of the postwar world-economy; and two, that hegemonic decline can either be prevented, or that China's ascension is a forgone conclusion. But if long waves are to be taken seriously, both assumptions appear to be on shaky ground. Yet only a combination of long term and immediate factors raise the more difficult reality of declining hegemony in an age of systemic transformation. This section discusses the continued struggle for hegemony and the increasing prevalence of antisystemic movements in light of the present crisis of capitalism.

Scholars should expect the struggle for hegemony to continue in the same pattern as the seventeenth century. The Dutch could not extend hegemonic dominance forever. Neither could the British. Hegemony inevitably declines. One should expect no different of the United States. In practice, this does not have to mean the realization of a doomsday scenario. Wallerstein's description of the United Provinces noted that the loss of hegemony did not mean falling into the semiperiphery. In fact, the falling hegemonic power typically remains not only a crucial core zone power, but also a kingmaker of sorts for the rising hegemonic power. The Dutch aided the British. The British aided the Americans. But whatever the outcome, a longer view demands consideration of a managed hegemonic decline, not the reestablishment of hegemony. Still, this shift in thinking will be a difficult task because—if the Dutch case proves reliable—the popular conception of the U.S. will likely be one of unrivaled dominance even after it loses such disproportionate power.

Yet American decline does not necessarily imply a fourth instance of hegemony in the modern world-system. China or the European Union might ascend to a position of dominance, but such a process would take seven or eight decades. Given capitalism's inability to expand, the

traditional long wave of hegemony might not be repeated. Thus, even though the behavior of hegemonic replacement will continue, the rising hegemonic power may not be able to achieve the success of its predecessors.

Drawing on patterns of the seventeenth century, scholars should expect core states to continue to prevent the rise of others. Like the seventeenth century downturn, the semiperiphery and periphery are bearing the brunt of the current downturn. Semiperipheral nations in Europe, for example, have seen austerity measures institutionalized in the European Stability Mechanism (ESM) of 2012. These bailout measures arrived in the form of loans guaranteed by the German public and managed by technocratic governments in Greece and Spain. Austerity has not produced recovery, but it has secured a pecking order within the Eurozone.<sup>136</sup>

In the periphery, decolonization came at the height of postwar economic expansion. It is noteworthy that, as the global downturn of the 1970s set in, core attitudes towards former colonies changed. The liberalism of Robert McNamara and Willy Brandt was displaced by the neo-liberal Washington Consensus of Margaret Thatcher and Ronald Reagan.<sup>137</sup> External control returned in the form of loan conditionality: currency devaluation, the cancelation of subsidies and tariffs, and the establishment of interest rates above the pace of inflation. A half century after decolonization, nations of the global south are unable to move past positions of dependency. Exports remain as they were in the colonial age: raw materials flow to the north only to return in the form of finished goods. Quantitatively, currency flows demonstrate that the south continues to fund the development of the north, and consequently, its own underdevelopment.

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<sup>136</sup> For Susan Watkins, Eurozone members fall into two categories: “the vanity of the leading continental powers combined with the venality of the smaller ones.” See “Vanity and Venality,” *London Review of Books* 35, no. 16 (2013): 17-21.

<sup>137</sup> See Vijay Prashad, *The Poorer Nations* (London: Verso, 2012).

Following the model of the seventeenth century, ecological exhaustion in the near term can be expected to increase. The standard practice of capitalism is to externalize costs. That is, it is commonplace to maximize profits via pollution and leaving it to the public to pay for cleanup costs. As Wallerstein's case shows, producers actively seek greater cost reductions during times of economic distress. Although environmental harm is often worse in the periphery, this principle applies to core zones too. Furthermore, the scarcity of natural resources such as oil, copper, and water—which were taken for granted for much of the twentieth century—has startled governments into securing such resources, often through domestic production.<sup>138</sup>

Adjustments to the latest contraction, however, have not always yielded the same results as they did in the seventeenth century. Following the pattern of centuries prior, merchants have unsurprisingly tried to cut labor costs. Over the last forty years, large companies have relocated factories to rural areas of the world-economy. And, indeed, merchants have saved money on labor costs and increased wages for rural workers. For example, government-bought factories in free trade zones (with exemptions for local tariffs, taxes, and labor laws) have proved successful for reducing costs. But workers have also organized more quickly than was expected, demanding better pay and protections of their economic rights. This is due to the global reach of capitalism and awareness of workers for strategies of collective action. Furthermore, such rural (that is, relatively uninvolved) areas of the world-economy continue to diminish.<sup>139</sup> In Wallerstein's opinion, worker solidarity in Cambodia and Vietnam made factory owners reconsider the benefits of relocating from China.

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<sup>138</sup> See, for example, Michael Klare, *The Race for What's Left* (New York: Metropolitan, 2012).

<sup>139</sup> Wallerstein makes this point in "End of the Road for Runaway Factories?" Commentary no. 351 (15 April 2013): <http://www.iwallerstein.com/road-runaway-factories/>.

In some places, quasi-mercantilist policies have been enough to disrupt the plans of merchants. For example, Bolivia's neo-liberal structural adjustment programs led to water privatization. But by 2000, surging prices caused widespread protests, and ultimately, a shift in policy.

Although actors are repeating behaviors of previous economic downturns, their efforts have been less successful. The presence of global protests has made a return to forced labor more difficult. Even a reduction in subsidized transportation, which Brazil's socialist government attempted in 2013, can ignite discontented masses.

### **Conclusion**

In an age of such instability, predictions over the next several decades are quite difficult.

Nonetheless, the current world scene is not without precedent. Wallerstein's depiction of the seventeenth century shows that hegemonic decline and a long-term economic downturn is not unusual. Yet the terminus of capitalist expansion signals that not all patterns of behavior will replicate exactly. By using a mixed temporal methodology, students of world politics can take into account both the long term patterns of the modern world-system as well as its unique character of the twenty-first century.