

SELECTED READINGS

The Economic Taproot of Imperialism

J. A. HOBSON

OVERVIEW

John Hobson discusses the economic taproot, or driving force, of imperialism. Written in 1902, he begins by laying out the case for imperialism as expressed by imperialists of his day. A high rate of savings and the power of production outstrip consumption. Industrialists and manufacturers therefore seek foreign sources of investment and markets in colonies or developing countries to solve these problems. He applies this explanation to the United States at the turn of the twentieth century. As noted in the text, Hobson's views had direct influence on Lenin and others who would be highly critical of imperialism as an advanced stage of capitalism.

Questions to Keep in Mind

1. According to Hobson, is the argument made by imperialists concerning the economic factors for the imperialism of European states also applicable to the United States?
2. Can the development of trusts and combines avoid imperialism? Why or why not?
3. What is the one possibility he raises at the end of the article as to how imperialist policies might be avoided?

No mere array of facts and figures adduced to illustrate the economic nature of the new imperialism will suffice to dispel the popular delusion that the use of national force to secure new markets by annexing fresh tracts of territory is a sound and a necessary policy for an advanced industrial country like Great Britain. It has indeed been proved that recent annexations of tropical countries, procured at great expense, have furnished poor and precarious markets, that our aggregate trade with our colonial possessions is virtually stationary, and that our most profitable and progressive trade is with

rival industrial nations, whose territories we have no desire to annex, whose markets we cannot force, and whose active antagonism we are provoking by our expansive policy.

But these arguments are not conclusive. It is open to Imperialists to argue thus: "We must have markets for our growing manufactures, we must have new outlets for the investment of our surplus capital and for the energies of the adventurous surplus of our population: such expansion is a necessity of life to a nation with our great and growing powers of production. An ever larger share of our

"The Economic Taproot of Imperialism" from *Imperialism* by John A. Hobson, 1902, John Nesbit & Co., Ltd, and later Allen & Unwin, pp. 71–93.

population is devoted to the manufactures and commerce of towns, and is thus dependent for life and work upon food and raw materials from foreign lands. In order to buy and pay for these things we must sell our goods abroad. During the first three-quarters of the nineteenth century we could do so without difficulty by a natural expansion of commerce with continental nations and our colonies, all of which were far behind us in the main arts of manufacture and the carrying trades. So long as England held a virtual monopoly of the world markets for certain important classes of manufactured goods, Imperialism was unnecessary. After 1870 this manufacturing and trading supremacy was greatly impaired: other nations, especially Germany, the United States, and Belgium, advanced with great rapidity, and while they have not crushed or even stayed the increase of our external trade, their competition made it more and more difficult to dispose of the full surplus of our manufactures at a profit. The encroachments made by these nations upon our old markets, even in our own possessions, made it most urgent that we should take energetic means to secure new markets. These new markets had to lie in hitherto undeveloped countries, chiefly in the tropics, where vast populations lived capable of growing economic needs which our manufacturers and merchants could supply. Our rivals were seizing and annexing territories for similar purposes, and when they had annexed them closed them to our trade. The diplomacy and the arms of Great Britain had to be used in order to compel the owners of the new markets to deal with us: and experience showed that the safest means of securing and developing such markets is by establishing 'protectorates' or by annexation. The value in 1905 of these markets must not be taken as a final test of the economy of such a policy; the process of educating civilized needs which we can supply is of necessity a gradual one, and the cost of such Imperialism must be regarded as a capital outlay, the fruits of which posterity would reap. The new markets might not be large, but they formed serviceable outlets for the overflow of our great textile and metal industries, and, when the vast Asiatic and African populations of the interior were reached, a rapid expansion of trade was expected to result.

"Far larger and more important is the pressure of capital for external fields of investment. Moreover, while the manufacturer and trader are well content to trade with foreign nations, the

tendency for investors to work towards the political annexation of countries which contain their more speculative investments is very powerful. Of the fact of this pressure of capital there can be no question. Large savings are made which cannot find any profitable investment in this country; they must find employment elsewhere, and it is to the advantage of the nation that they should be employed as largely as possible in lands where they can be utilized in opening up markets for British trade and employment for British enterprise.

"However costly, however perilous, this process of imperial expansion may be, it is necessary to the continued existence and progress of our nation; if we abandoned it we must be content to leave the development of the world to other nations, who will everywhere cut into our trade, and even impair our means of securing the food and raw materials we require to support our population. Imperialism is thus seen to be, not a choice, but a necessity."

The practical force of this economic argument in politics is strikingly illustrated by the later history of the United States. Here is a country which suddenly broke through a conservative policy, strongly held by both political parties, bound up with every popular instinct and tradition, and flung itself into a rapid imperial career for which it possessed neither the material nor the moral equipment, risking the principles and practices of liberty and equality by the establishment of militarism and the forcible subjugation of peoples which it could not safely admit to the condition of American citizenship.

Was this a mere wild freak of spread-eaglim, a burst of political ambition on the part of a nation coming to a sudden realization of its destiny? Not at all. The spirit of adventure, the American "mission of civilization," were as forces making for Imperialism, clearly subordinate to the driving force of the economic factor. The dramatic character of the change is due to the unprecedented rapidity of the industrial revolution in the United States from the eighties onward. During that period the United States, with her unrivalled natural resources, her immense resources of skilled and unskilled labour, and her genius for invention and organization, developed the best equipped and most productive manufacturing economy the world has yet seen. Fostered by rigid protective tariffs, her metal, textile, tool, clothing, furniture, and other manufactures shot up in a single generation from infancy to full maturity,

and, having passed through a period of intense competition, attained, under the able control of great trust-makers, a power of production greater than has been attained in the most advanced industrial countries of Europe.

An era of cut-throat competition, followed by a rapid process of amalgamation, threw an enormous quantity of wealth into the hands of a small number of captains of industry. No luxury of living to which this class could attain kept pace with its rise of income, and a process of automatic saving set in upon an unprecedented scale. The investment of these savings in other industries helped to bring these under the same concentrative forces. Thus a great increase of savings seeking profitable investment is synchronous with a stricter economy of the use of existing capital. No doubt the rapid growth of a population, accustomed to a high and an always ascending standard of comfort, absorbs in the satisfaction of its wants a large quantity of new capital. But the actual rate of saving, conjoined with a more economical application of forms of existing capital, exceeded considerably the rise of the national consumption of manufactures. The power of production far outstripped the actual rate of consumption, and, contrary to the older economic theory, was unable to force a corresponding increase of consumption by lowering prices.

This is no mere theory. The history of any of the numerous trusts or combinations in the United States sets out the facts with complete distinctness. In the free competition of manufactures preceding combination the chronic condition is one of "overproduction," in the sense that all the mills or factories can only be kept at work by cutting prices down towards a point where the weaker competitors are forced to close down, because they cannot sell their goods at a price which covers the true cost of production. The first result of the successful formation of a trust or combine is to close down the worse equipped or worse placed mills, and supply the entire market from the better equipped and better placed ones. This course may or may not be attended by a rise of price and some restriction of consumption: in some cases trusts take most of their profits by raising prices, in other cases by reducing the costs of production through employing only the best mills and stopping the waste of competition.

For the present argument it matters not which course is taken; the point is that this concentration

of industry in "trusts," "combines," etc. at once limits the quantity of capital which can be effectively employed and increases the share of profits out of which fresh savings and fresh capital will spring. It is quite evident that a trust which is motivated by cut-throat competition, due to an excess of capital, cannot normally find inside the "trusted" industry employment for that portion of the profits which the trust-makers desire to save and to invest. New inventions and other economies of production or distribution within the trade may absorb some of the new capital, but there are rigid limits to this absorption. The trustmaker in oil or sugar must find other investments for his savings: if he is early in the application of the combination principles to his trade, he will naturally apply his surplus capital to establish similar combinations in other industries, economising capital still further, and rendering it ever harder for ordinary saving men to find investments for their savings.

Indeed, the conditions alike of cut-throat competition and of combination attest the congestion of capital in the manufacturing industries which have entered the machine economy. We are not here concerned with any theoretic question as to the possibility of producing by modern machine methods more goods than can find a market. It is sufficient to point out that the manufacturing power of a country like the United States would grow so fast as to exceed the demands of the home market. No one acquainted with trade will deny a fact which all American economists assert, that this is the condition which the United States reached at the end of the century, so far, as the more developed industries are concerned. Her manufactures were saturated with capital and could absorb no more. One after another they sought refuge from the waste of competition in "combines" which secure a measure of profitable peace by restricting the quantity of operative capital. Industrial and financial princes in oil, steel, sugar, railroads, banking, etc. were faced with the dilemma of either spending more than they knew how to spend, or forcing markets outside the home area. Two economic courses were open to them, both leading towards an abandonment of the political isolation of the past and the adoption of imperialist methods in the future. Instead of shutting down inferior mills and rigidly restricting output to correspond with profitable sales in the home markets, they might employ their full productive power, applying their savings to increase their

business capital, and, while still regulating output and prices for the home market, may “hustle” for foreign markets, dumping down their surplus goods at prices which would not be possible save for the profitable nature of their home market. So likewise they might employ their savings in seeking investments outside their country, first repaying the capital borrowed from Great Britain and other countries for the early development of their railroads, mines and manufactures, and afterwards becoming themselves a creditor class to foreign countries.

It was this sudden demand for foreign markets for manufactures and for investment which was avowedly responsible for the adoption of Imperialism as a political policy and practice by the Republican party to which the great industrial and financial chiefs belonged, and which belonged to them. The adventurous enthusiasm of President Theodore Roosevelt and his “manifest destiny” and “mission of civilization” party

must not deceive us. It was Messrs. Rockefeller, Pierpont Morgan, and their associates who needed Imperialism and who fastened it upon the shoulders of the great Republic of the West. They needed Imperialism because they desired to use the public resources of their country to find profitable employment for their capital which otherwise would be superfluous. . . .

It is this economic condition of affairs that forms the taproot of Imperialism. If the consuming public in this country raised its standard of consumption to keep pace with every rise of productive powers, there could be no excess of goods or capital clamorous to use Imperialism in order to find markets: foreign trade would indeed exist, but there would be no difficulty in exchanging a small surplus of our manufactures for the food and raw material we annually absorbed, and all the savings that we made could find employment, if we chose, in home industries. . . .

Culture and Imperialism

BARBARA BUSH

OVERVIEW

The postcolonial literature takes a holistic approach to understanding empires. While the imperialism analyzed by Hobson and Lenin may have passed, empire is alive and well. So say a diverse set of scholars from various academic disciplines who examine empires and imperialism from a combination of economic, social, political, and cultural perspectives. While much of IR theorizing emphasizes parsimony in terms of concepts and theories, the postcolonial literature associated with history departments is particularly rich in detail and case studies. Bush reflects this orientation.

While she is very conversant with the economics-inspired work on imperialism, Bush is more interested in postcolonial writings influenced by the so-called cultural turn. The importance of understanding the role of cultural in imperial relations is principally attributed to the work of Edward Said, particularly his

Orientalism (1978) and Culture and Imperialism (1993). He was less interested in the history of imperialism from the perspective of the European powers and more concerned with the narratives of empire in fiction and history and how they mutually influenced culture and politics in the metropole and colonies, creating a bourgeois imperial culture. The cultural dimension of power harkens back to Gramsci's work. This brief extract, however, also shows the influence of Marx, Foucault, and Derrida, all whom are also associated with the critical theory perspective discussed in Chapter 7.

Questions to Keep in Mind

1. How has the work of Edward Said on colonizer and colonized changed the analytical framework on the role of culture in postcolonial studies?
2. Why are cultural strategies to legitimate imperial power not restricted to the era of capitalism?
3. What are the limitations of Gramsci's concept of hegemony as applied to colonial relations?

From the early colonial encounters, the nature of colonial rule was never static and changed over time. Many colonized peoples experienced changes in the colonial ruler. Examples here include the transfer of the Philippines from Spain to the USA, the acquisition of the former German colonies by France, Britain and other imperial or sub-imperial powers after the First World War. What remained constant was the colonial situation, 'the unchanging complex of rule, exploitation and cultural conflict in ethnically heterogeneous political structures that had been created by influence from without' (Osterhammel, 1997, pp. 64–5). Imperial administrations, civilizing missions and cultures of colonialism were shaped by the interactions between colonizer and colonized in diverse cultural, political and economic contexts. In the early imperial era, the Spanish demonstrated almost total indifference to the cultures they encountered in Latin America and the Philippines (Kamen, 2002) yet they were less averse to race-mixing than the French and English who, by the early twentieth century, possessed extensive anthropological and ethnographical knowledge of their colonial subjects. British indirect rule effectively resulted in racial segregation and the subtle racism underpinning French policies of assimilation was the focus of Frantz Fanon's influential analysis of the psychological affects of colonialism, *Black Skin, White Masks* (1952).

Before the 1960s, studies of colonial rule focused on administrative and political systems. They were written within the discourses of power

and contributed to colonial knowledge in helping to manage the colonial subjects. Early challenges to this genre, emphasizing the importance of neglected 'cultures of colonialism', came from the colonized, for example, Fanon, Albert Memmi and Aimé Césaire, who explored what Nandy has termed the 'colonial consciousness of colonizer and colonized' (Nandy, 1983, p. 1). 'Colonization of the personality', argued Fanon (1952), resulted in the internalization and acceptance of the European superiority. In the Western academy studies of these psycho-social affects of colonialism were pioneered by Octave Mannoni in his analysis of the 'dependency complex' of the colonized created through paternalism (Mannoni, 1956). Presaging future historiographical developments, the sociologist George Balandier (1970) argued that previous studies based on economics, political administration or race relations provided only a limited, fragmented view of colonial societies. What was needed was a deeper understanding of colonial ideologies and a 'complete conspectus' of the 'colonial situation', pre- and post-conquest, that adopted an interdisciplinary approach and reconceptualized the relationship between colonizer and colonized as dynamic and marked by tension and conflict.

Since the 1980s, research has questioned the dualism that divided colonizer and colonized in former studies and focused on the interrelationships. Edward Said (1994) argued that imperialism consolidated a mixture of cultures and identities on a global scale and imperialism was as much a

formative element in development of metropolitan cultures as it was for colonized societies. His ideas were incorporated into new imperial histories that explored the cultures of colonized and colonizers and explored how cultural imperialism helped to legitimize imperial power. Under the influence of the ideas of Marx, Benjamin, Gramsci, Foucault, Derrida and Said, colonialism was reconceptualized as a 'metaphor for the subtle relationship between power and knowledge . . . culture and control' (Dirks (ed.), 1992, p. 11). New analyses of the nature of colonial rule embraced strategies of power, the link between colonialism and identity formation of rulers and ruled, and interconnections between the public institutions of the colonial state and the intimate domestic lives of colonizer and colonized. To what extent have these new conceptual frameworks helped to advance our understanding of the relationship between culture and imperialism?

Cultural strategies to legitimize imperial power, including co-option of local elites, can be traced back to earlier empires. Roman emperors lacked any grand design to spread the culture of Rome but the imperial centre was sustained through Romanization, the fusion of imperial and local institutions and cultures. Roman culture was itself a blend of indigenous and foreign elements and was receptive to other cultures, especially Greek. This given, widespread diffusion of the traditional gods of Rome: Jupiter, Juno and Minerva, particularly under the later emperors, became an essential element of imperial propaganda and ideology. Religious cults and social practices that 'civilized' Romans regarded as barbarous, such as human sacrifice, or that threatened the advance of empire, such as customs practiced by the druids of Gaul and Britain and the prophetesses of Germany, were suppressed (Garnsey and Saller, 1987, pp. 178–81). Garnsey and Saller conclude, however, that, in the main, Rome's contact with alien religions was marked by peaceful penetration rather than coercion. Roman gods were syncretized with indigenous gods: in Britain, for instance, the goddess Minerva found local counterparts, such as Sulis, the water goddess of Bath (*ibid.*, p. 181).

The cultural impact of Rome was, in some ways, not dissimilar to that in later empires. Roman *coloniae* were an extension of Rome, a community of Roman citizens. Rank and clothing in the empire were visual symbols of power, as were spatial definitions of seating in amphitheatres, with

enormous fines for violation. Such visual symbols of power affirmed the imperial social structure and were calculated to impress the subordinated populations of the empire. Adoption of Roman culture by the local elites, including a villa, strengthened pre-conquest social divisions and superiority over the masses. Roman culture had less influence in the countryside, but peasants did become Romanized through the army, the main instrument of exposure to the dominant culture. Romanization in the Western Empire . . . was deep-rooted and long-lasting but it was less successful in the East, where the elites, influenced by Jewish, Egyptian and evolving Oriental cultures, were less zealous in embracing Roman culture (Garnsey and Saller, 1987, pp. 116–17, 167–9, 202).

In later European empires similar cultural strategies were employed, but modern racial ideologies and economic priorities arguably resulted in more extensive cultural oppression/suppression. The histories of colonized peoples, argues Cohn (1996), were shaped through cultural technologies of dominance. Colonial and imperial domination operated through mechanisms of cultural imperialism that resulted in cultural oppression, that is, a debasement and negation of the values of colonized peoples that undermined their cultures. Cultural imperialism was essential to legitimizing colonial rule and the racial orders that sustained it, muting the essentially exploitative nature of colonial administration and fudging conflicts of interests between colonizer and colonized. The concept of cultural imperialism, however, is diffuse and difficult to define. As Tomlinson (1991, p. 7) stresses, it is a composite of two highly problematic concepts which cannot be reduced to a single meaning, but a key feature is that:

[Cultural imperialism] operated through disrupting and changing the context within which people give meanings to their actions and experiences and make sense of their lives.

(Thomas, 1994, pp. 2–3)

Cultural imperialism involves a dominant power imposing aspects of its culture on a society which is 'weaker' or 'backward' in some military, economic or technological sense (Meade and Walker (eds), 1991, p. 80). Allied to, but not synonymous with, cultural hegemony, the concept implies a more conscious process of suppression of inferior

cultures. Cultural strategies were more subtle than other forms of colonial control, such as policing and the law, and had some success, in that the colonized internalized inferiority. But cultural oppression also fostered resentment and challenges to scientific racism and linguistic imperialism were vital to psychological survival and resistant political action (LaCapra (ed.), 1991; Bush, 1999).

The links between culture and imperialism raise fundamental questions about the operation of power and knowledge in colonial societies, the ways in which the values and culture of the dominant power are spread at the expense of the dominated, and the degree to which colonized subjects were actively engaged in complex cultural choices, interacting with the dominant culture although 'not in conditions of their own choosing' (Tomlinson, 1991, p. 3). The ideology and practice of imperialism were the domain of powerful groups and vested interests for which empire brought tangible benefits. Material power was expressed through economic, military and technological superiority, but equally important was the cultural power of dominant discourses which represented colonial subjects in a way that reinforced their inferiority, justified imperial rule and secured legitimacy for imperialism in both colony and imperial heartland. . . . Cultural power may be defined as the will to dominate and not be dominated, to impose change whilst remaining unchanged (Von Laue, 1989). It operates at the level of the individual and collective consciousness and is transmitted through cultural mediums. In Foucaultian analysis culture itself becomes a mechanism of repression through the operation of powerful discourses. In the colonial context these generate representations of individuals and groups which have the power to include and exclude, to police and control every area of life, including sexuality (Stoler, 1996).

Cultural imperialism is thus premised on the relationship between knowledge production and control and imperial power. Power is maintained through hegemonic ideologies (or discourses of power), the dominant or ruling set of ideas in a society, that worked in the interests of powerful groups in metropole and colony. Gramsci defined hegemony as 'the predominance, obtained by consent rather than force, of one class or group over other classes . . . the spontaneous consent of masses to the general direction imposed on social life by the dominant . . . group' (Hoare and Newell Smith (eds), 1971, p. 12). In conjunction with other, more tangible, forms of

power, hegemonic ideologies were utilized by the state to legitimize, and ensure the continuation of, imperial regimes. In India, for instance, the Raj was represented as modernizing India, emphasizing the weak, 'backward' and disunited nature of Indian society and the superiority of British institutions and legal systems. British rule depended on Indian acquiescence to this ideology (Cohn, 1996).

Colonizers, argued Chatterjee (1994), were involved in a 'hegemonic project' that was powerful and long-lasting (p. 79). To be successful, imperial hegemony had to come to terms with, incorporate and transform the values of the colonized. Direct violence, defined as state violence through soldiers and policemen, was the exception rather than the rule in the history of British imperialism in India and Africa. Control was maintained through 'gentle violence' that changed the 'day to day reproduction of life under colonial rule in the name of civilization and reason' and transformed colonial peoples' consciousness (Engels and Marks, 1994, pp. 1–2). Domination, observes Osterhammel (1997), was based on the threat of force, but also 'communication imperialism', the collection, processing and dissemination of information about colonized society by centralized institutions. Important here were collaborators, not colonial soldiers or puppet native rulers, but 'semiautonomous agents', middlemen with a foot in both camps, whose interests were best served by helping to sustain the colonial state (pp. 64–6).

Nicholas Dirks, however, has queried the use of hegemony in relation to colonial power as it implied consent and political participation absent in the colonial context (Dirks (ed.), 1992, p. 7). Gramsci's ideas were developed for modern Italian society, where there was a substantial civil society (interest groups, trade unions, political parties) and an educated, literate population facilitating the dissemination of hegemonic culture. These aspects of modernity were not present in colonial societies, or, if emergent, as in the period from 1918 up to the end of European empires, were suppressed and/or steered by the colonial powers in an attempt to neutralize the potential danger to the imperial status quo. Effectively, hegemony, in metropole and colony alike, could never secure complete ideological and political control; this was central to Gramsci's interest in the active resistance of 'subalterns' against the 'officer' class. In the colonial context resistance was generated through dynamic tensions between the

hegemonic ideologies of the colonizers, pre-colonial cultures and the oppositional discourses of African and Asian nationalism. As Daunton and Halpern (1999) emphasize, elites are dominant, but rarely hegemonic, and autonomous domains for indigenous resistance and politics have always existed (p. 10). Certainly, we need to query the passivity implied in the concept of a monolithic Western cultural imperialism and acknowledge the active agency of colonized peoples. Autonomous action, however, was continuously constrained by powerful cultural strategies employed by the colonial governments.

References

- Balandier, George. *The Sociology of Black Africa* (London, Deutsch, 1970)
- Bush, Barbara. *Imperialism, Race and Resistance* (London, Routledge, 1999)
- Chatterjee, Partha. "Was There a Hegemonic Project of the Colonial State?" in Dagmar Engels and Shula Marks (eds.) *Contesting Colonial Hegemony* (London and New York, British Academic Press, 1994)
- Cohn, Bernard. *Colonialism and Its Forms of Knowledge: The British in India* (New Jersey, Princeton University Press, 1996)
- Daunton, Martin, and Rick Halpern (eds.) *Empire and Others* (London, UCL Press, 1999)
- Dirks, Nicholas (ed.) *Colonialism and Culture* (Ann Arbor, University of Michigan Press, 1992)
- Engels, Dagmar, and Shula Marks (eds.) *Contesting Colonial Hegemony* (London and New York, British Academic Press, 1994)
- Fanon, Frantz. *Black Skin, White Masks* (London, Pluto, 1993, 3rd edition, first published 1952; trans. Charles Lam Markham)
- Garnsey, Peter, and Richard Saller. *The Roman Empire: Economy, Society and Culture* (London, Duckworth, 1987)
- Hoare, Q., and Newell Smith, G. (ed. and trans.) *Selection from the Prison Notebook of Antonio Gramsci* (London, Lawrence and Wishart, 1971)
- Kamen, Henry. *Spain's Road to Empire: The Making of a World Power, 1592–1763* (London: Penguin, 2002)
- LaCapra, Dominick (ed.) *The Bounds of Race* (Ithaca, Cornell University Press, 1991)
- Mannoni, Octave. *Prospero and Caliban: The Psychology of Colonization* (London, Methuen, 1956)
- Meade, T., and M. Walker (eds.) *Science, Medicine and Cultural Imperialism* (London, Macmillan, 1991)
- Nandy, Ashis. *The Intimate Enemy: Loss and Recovery of Self Under Colonialism* (Oxford, Oxford University Press, 1983)
- Osterhammel, Jurgen. *Colonialism* (Princeton and Kingston, Marcus Wiener/Ian Randle, 1997)
- Said, Edward. *Culture and Imperialism* (London, Vintage, 1994, 1993)
- Solar, Ann Laura. *Race and the Education of Desire* (Durham, NC, Duke University Press, 1996)
- Thomas, Nicholas. *Colonialism's Culture* (Cambridge, Polity Press, 1994)
- Tomlinson, John. *Cultural Imperialism: A Critical Introduction* (London, Pinter Publishers, 1991)
- Von Laue, Theodore. *The World Revolution of Westernization* (London, Oxford University Press, 1989)

The Modern World-System as a Capitalist World-Economy

IMMANUEL WALLERSTEIN

OVERVIEW

The work of Immanuel Wallerstein epitomizes the argument that to understand the world today we must look back to at least the sixteenth century and the beginning of the capitalist world-economy. This is the key concept in his work. A world-economy assumes a large geographic zone within which there is a division of labor and the significant exchange of goods, capital, and labor. Capitalism is not simply producing for sale on the market, earning a profit, or the existence of wage labor. For Wallerstein the defining characteristic of a capitalist system is the endless accumulation of capital. In this article he also introduces the key concepts of core, periphery, and unequal exchange. He also discusses the concepts of sexism and racism as applied to his world-economy perspective.

Questions to Keep in Mind

1. What is the relation between the international system of states and the world-economy?
2. Why does Wallerstein claim a totally free market is not a day-to-day reality?
3. What is meant by *core* and *periphery* and how do the concepts relate to the concept of *unequal exchange*?
4. The various complex relations of the world-economy are beset by two opposite ideological themes—universalism on the one hand and racism and sexism on the other. How are they interrelated and what is their impact on the efficiency of the world-economy and the ability to accumulate capital?

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

What we mean by a world-economy (Braudel's *économie-monde*) is a large geographic zone within which there is a division of labor and hence significant internal exchange of basic or essential goods as well as flows of capital and labor. A defining feature of a world-economy is that it is *not* bounded by a unitary political structure. Rather, there are many political units inside the world-economy, loosely tied together in our modern world-system in an interstate system. And a world-economy contains many cultures and groups—practicing many religions, speaking many languages, differing in their everyday patterns. This does not mean that they do

“The Modern World-System as a Capitalist World-Economy” from *World-Systems Analysis: An Introduction* by Immanuel Wallerstein, pp. 23–42. Copyright © 2004 Duke University Press. All rights reserved. Reprinted by permission of the publisher.

not evolve some common cultural patterns, what we shall be calling a geoculture. It does mean that neither political nor cultural homogeneity is to be expected or found in a world-economy. What unifies the structure most is the division of labor which is constituted within it.

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

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

Conversely, a capitalist system cannot exist within any framework except that of a world-economy. We shall see that a capitalist system requires a very special relationship between economic producers and the holders of political power. If the latter are too strong, as in a world-empire, their interests will override those of the economic producers, and the endless accumulation of capital will cease to be a priority. Capitalists need a large

market (hence minisystems are too narrow for them) but they also need a multiplicity of states, so that they can gain the advantages of working with states but also can circumvent states hostile to their interests in favor of states friendly to their interests. Only the existence of a multiplicity of states within the overall division of labor assures this possibility.

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

Let us start with markets, since these are normally considered the essential feature of a capitalist system. A market is both a concrete local structure in which individuals or firms sell and buy goods, and a virtual institution across space where the same kind of exchange occurs. How large and wide-spread any virtual market is depends on the realistic alternatives that sellers and buyers have at a given time. In principle, in a capitalist world-economy the virtual market exists in the world-economy as a whole. But as we shall see, there are often interferences with these boundaries, creating narrower and more “protected” markets. There are of course separate virtual markets for all commodities as well as for capital and different kinds of labor. But over time, there can also be said to exist a single virtual world market for all the factors of production combined, despite all the barriers that exist to its free functioning. One can think of this complete virtual market as a magnet for all producers and buyers, whose pull is a constant political factor in the decision-making of everyone—the states, the firms, the households, the classes, and the status-groups (or identities). This complete virtual world market is a reality in that it influences all decision making, but it never functions

fully and freely (that is, without interference). The totally free market functions as an ideology, a myth, and a constraining influence, but never as a day-to-day reality.

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

What sellers always prefer is a monopoly, for then they can create a relatively wide margin between the costs of production and the sales price, and thus realize high rates of profit. Of course, perfect monopolies are extremely difficult to create, and rare, but quasi-monopolies are not. What one needs most of all is the support of the machinery of a relatively strong state, one which can enforce a quasi-monopoly. . . .

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

condition *sine qua non* of the endless accumulation of capital. That is what explains the constant process of the concentration of capital.

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

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

To be sure, unequal exchange is not the only way of moving accumulated capital from politically weak regions to politically strong regions. There is also plunder, often used extensively during the early days of incorporating new regions into the world-economy (consider, for example, the conquistadores and gold in the Americas). But plunder is self-liquidating. It is a case of killing the goose that lays the golden eggs. Still, since the consequences are middle-term and the advantages

short-term, there still exists much plunder in the modern world-system, although we are often “scandalized” when we learn of it. When Enron goes bankrupt, after procedures that have moved enormous sums into the hands of a few managers, that is in fact plunder. When “privatizations” of erstwhile state property lead to its being garnered by mafia-like businessmen who quickly leave the country with destroyed enterprises in their wake, that is plunder. Self-liquidating, yes, but only after much damage has been done to the world’s productive system, and indeed to the health of the capitalist world-economy.

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

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

(e.g. aircraft production or genetic engineering) which were concentrated in a few countries. There have always been new core-like processes to replace those which become more competitive and then move out of the states in which they were originally located.

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

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

The normal evolution of the leading industries—the slow dissolution of the quasi-monopolies—is what accounts for the cyclical rhythms of the world-economy. A major leading industry will be a major

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

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

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

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

directly to the narrowly defined proper functioning of the world-system.

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

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

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

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

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

There are two quite different reasons for this. On the one hand, universalism is believed to ensure relatively competent performance and thus make for a more efficient world-economy, which in turn improves the ability to accumulate capital. Hence,

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

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

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

even though the political struggle against such forms of anti-universalism has also become more central to the functioning of the world-system.

The bottom line is that the modern world-system has made as a central, basic feature of its structure

the simultaneous existence, propagation, and practice of both universalism and anti-universalism. This antinomic duo is as fundamental to the system as is the core-peripheral axial division of labor.

SUGGESTIONS FOR FURTHER READING

General

- Ayers, Alison J., ed. *Gramsci, Political Economy, and International Relations Theory: Modern Princes and Naked Emperors*. New York: Palgrave Macmillan, 2008.
- Boggs, Carl. *Gramsci's Marxism*. London: Pluto Press, 1976.
- Cohen, Benjamin. *The Question of Imperialism*. New York: Basic Books, 1973.
- Doyle, Michael W. *Ways of War and Peace*. New York: W. W. Norton, 1997. [Part Three addresses Marxism, Leninism, and Socialism.]
- Evans, Peter B. *Embedded Autonomy: States and Industrial Production*. Princeton NJ: Princeton University Press, 1995.
- Gamble, Andrew, David Marsh, and Tony Tant, eds. *Marxism and Social Science*. Champaign, IL: University of Illinois Press, 1999.
- Gill, Stephen. *Gramsci, Historical Materialism and International Relations*. Cambridge, UK: Cambridge University Press, 1993.
- . *Power and Resistance in the New World Order*. New York: Palgrave Macmillan, 2003.
- Gilpin, Robert. "Three Models of the Future," *International Organization*, 29, 1 (1975): 37–60.
- Gramsci, Antonio. *Prison Notebooks*, trans. and ed. Joseph A. Buttigieg. New York: Columbia University Press, Vol. 1, 1991; Vol. 2, 1996; Vol. 3, 2007.
- Gramsci, Antonio. *Selections from the Prison Notebooks*, ed. Quentin Hoare and Geoffrey Nowell Smith. New York: International Publishers, 1971.
- Heilbroner, Robert. *The Nature and Logic of Capitalism*. New York: W. W. Norton, 1985.
- . *21st Century Capitalism*. New York: W. W. Norton, 1993.
- Hobsbawm, Eric. *On Empire: America, War, and Global Supremacy*. Pantheon Books, 2008.
- , with David Forgacs, ed. *The Antonio Gramsci Reader: Selected Writings 1916–1935*. New York: NYU Press, 2000.
- Holm, Hans-Henrik, and Georg Sorensen. *Whose World Order? Uneven Globalization and the End of the Cold War*. Boulder: Westview, 1995.
- Jones, Steven J. *Antonio Gramsci*. London: Routledge, 2006.
- Mittelman, James H. *Whither Globalization? The Vortex of Knowledge and Ideology*. New York: Routledge, 2004.
- Morton, Adam David. *Unravelling Gramsci: Hegemony and Passive Revolution in the Global Political Economy*. London: Pluto Press, 2007.
- Murphy, Craig N., ed. *Egalitarian Politics in the Age of Globalization*. New York: Palgrave Macmillan, 2002.
- . *Global Institutions, Marginalization and Development*. London: Routledge, 2005.
- . *International Organization and Industrial Change*. New York: Oxford University Press, 1994.
- . *The United Nations Development Programme: A Better Way?* Cambridge, UK: Cambridge University Press, 2006.
- Murphy, Craig N., and Roger Tooze, eds. *The New International Political Economy*. Boulder, CO: Lynne Rienner, 1991.
- Pala, Ronen P., and Barry Gills, eds. *Transcending the State-Global Divide: A Neostructuralist Agenda in International Relations*. Boulder, CO: Lynne Rienner, 1994.
- Rostow, W. W. 1960. *The Stages of Economic Growth, a Non-Communist Manifesto*. Cambridge, UK: Cambridge University Press, 1960.
- Sahle, Eunice N. *World Orders, Development and Transformation*. New York: Palgrave Macmillan, 2010.

■ On Capitalism and the Capitalist World-System

- Amin, Samir. *Empire of Chaos*. New York: Monthly Review Press, 1992.