

Rethinking World System Theory: A Historical and Conceptual Analysis

by

Agussalim Burhanuddin¹

Abstract

This article is a historical and conceptual analysis of World Systems Theory which proposed by Immanuel Wallerstein. This paper aims to explore historical framework of world system theory, explain the unit of analysis, and describe its relationship with other social science theories. Historical exploration of Wallerstein and this theory show a strong influence of historical study were obtained from Wallerstein background and people around him. Conceptual analysis to this theory shows that Wallerstein use Marx's concept about social class struggle then raise in a global context by using state as the actors. In conjunction with other theories, world system theory fundamentally supports theory of dependence from Gunder Frank, and otherwise sharply criticizes modernization approach and developmental stage model by Walt Rostow.

Keywords: World-system theory, Immanuel Wallerstein, core-periphery, Capitalism, Marxism.

Introduction

The world-system theory is a complex conceptualization of social and economic dynamics that is presented within the historical framework, rather than a simple structural view of the modern world. The theory has been developed as well as criticized by a number of scholars through years, and continues to generate ongoing debates in the field of political economy and even in a broader field of social sciences. Immanuel Wallerstein himself has contributed a remarkable number of academic works including books, articles, and seminal papers in supporting his theory of world-system since the first publication of the theory in 1974. This article is aimed to discuss three aspects that are perceived as three important points of Wallerstein's world-system theory namely: historical framework, world unit of analysis, and the relation to

¹ Penulis adalah Dosen Tetap pada Jurusan Hubungan Internasional FISIP Universitas Hasanuddin dan PhD Candidate di Dept. of Political Science, University of Hawaii at Manoa, US.

other theories.

The main emphasis of the world-system theory is the critique toward capitalism of its class inequality. The roots of the argument can be ascribed to Karl Marx's concept of "class" in analyzing capitalism, and Lenin's work on imperialism that argues that the character of capitalism has changed and entered its final stage, called imperialism. Wallerstein applies Marx's and Lenin's ideas to the international sphere, and argues that capitalism has developed a world structure based on international division of labor in that the dominant countries in the *core* exploit the less-developed countries in the *periphery*. The development of division of labor also determines the relationship between the two zones as well as the bureaucracies and the types of labor conditions within the two zones. The core-periphery relationship represents the world structure of inequality in which countries in the core gain a greater portion of profit from international trade than countries in the periphery do.

In addition to a core-periphery distinction largely in terms of geography, Wallerstein also identifies a semi-periphery zone that has an intermediate role within the world system, displaying certain character of both core and periphery. Countries in the semi-periphery provide a source of labor with less wages than in the core as a capitalist policy to counteract any upward pressure on wages in the core. Semi-periphery is also used as an alternative home for industries in order to achieve the highest possible profit for capitalists due to its relatively cheap labor and materials. The three zones are linked together in the world-system structure, and the relationship among them is best explained as the accumulation of wealth in the core in which wealth is drained away from the periphery and the semi-periphery to the core. The consequence of this pattern is that countries in the core become richer while the countries in the periphery get poorer.

Historical Framework

It is important to note here that the world-system is not merely a structural explanation of recent world phenomena. Rather, it is a historical

explanation of the development of the capitalist system in the world arena through centuries. Wallerstein's major work of *the modern world-system* that discusses the historical evolution of world capitalism consists of three volumes: (1) *Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*, (2) *Mercantilism and the Consolidation of the European World-Economy, 1600-1750*, (3) *The Second Great Expansion of the Capitalist World-Economy, 1730-1840's*, published in 1974, 1980, and 1989 respectively. From Wallerstein's historical explanation, one may argue that the capitalist mode of production has successfully survived and constituted today's world system of economy through a long period of transformation and expansion.

Wallerstein's emphasis on the historical approach made him well known as historical social scientist, as well as a famous world-system analyst. According to Walter L. Goldfrank who investigated Wallerstein intellectual background, he was much influenced by his primary mentor, C. Wright Mills, from whom Wallerstein learned and developed his historical sensitivity. Another intellectual influence to Wallerstein historical emphasis was the *Annales* group of historians which was also known for its radical political thoughts. While being a faculty member at Columbia University, he spent time in Paris where the center for political and intellectual radicalism was located. In Paris, Wallerstein was much inspired by the *Annales* school, that one of its prominent scholar was Fernand Braudel with his historical approach of social sciences (Goldfrank, 2000: 152).

From Braudel, Wallerstein learned the emphasis on *la longue duree* (the long term) that suggests that study of history should give priority to long-term historical structures rather than focus on a particular event. In other words, historians must direct each observation to the 'totality' of the field of social forces, and avoid the emphasis on the uniqueness of events. The *longue duree* is a historical process in which all change is slow, a history of constant repetition, even recurring cycles. Braudel argues that it is only through the study of the long term, the totality and the continuing structures of historical reality are revealed (Goldfrank, 2000: 154). Braudel's emphasis on structural time became central to world-system analysis, as Wallerstein states, "For world-system analysts, the

longue duree was the duration of a particular historical system. Generalization about the functioning of such a system thus avoided the trap of seeming to assert timeless, eternal truth” (Wallerstein, 2004: 18).

Wallerstein's historical stages of development suggests three types of economic systems: minisystems, world-empires, and world-economies. At one time all societies were simple entities which practiced simple agriculture or animal hunting. Wallerstein calls these societies as 'minisystem' since they had a single cultural framework with a complete division of labor. Such minisystems no longer exist in the world, as they were replaced by the world-systems. Wallerstein defines the latter stage as “a unit with a single division of labor and multiple cultural systems. It follows logically that there can...be two varieties of such world-systems, one with a common political system and one without. We shall designate these respectively as world-empires and world-economies” (Wallerstein, 1979: 5).

Wallerstein divides the world-systems into two categories; the world empires that were politically united, and the world-economies that were without political systems. The history witnessed that because of the absence of political system, world-economies became unstable and led to either disintegration or conquest by another entity and hence they transformed into world-empires. Example of such world-empires emerges from world-economies were China, Egypt, and Rome in pre-modern times. However, According to Wallerstein, Great Britain and France in 19th century cannot be categorized as world-empires, rather they were nation states with colonial appendages operating within the framework of a world-economy. The excessive expenditure to maintain the bureaucracies was the factor that hindered the economic dynamism in world-empires (Wallerstein, 1979: 6).

In 16th century, there was the emergence of a modern world economy that had full development and economic predominance of market trade in Europe. This was the system called capitalism. In *the modern world-system I*, Wallerstein describes that in a capitalist world-economy, political energy is used to secure monopoly rights, and the state becomes less the central economic enterprises

than the means of assuring certain terms of trade and other economic transactions. In this way, the operation of the market creates incentives to increase productivity and all consequence related to modern economic development (Wallerstein, 1974: 34).

From this point, Wallerstein comes up with his explanation of 'core-periphery' relation. It can be briefly described as follows. The world economy developed a core with well-developed towns, flourishing manufacturing, technologically progressive agriculture, skilled and relatively well-paid labor, and high investment. But the core needed the peripheries from which to extract the surplus that fueled expansion. Peripheries produced certain primary goods while their towns withered, labor became coerced in order to keep down the costs of production, technology stagnated, labor remained unskilled, and the capital was withdrawn toward the core rather than accumulating. At first, the difference between the core and periphery were small, but by exploiting these difference and buying cheap primary products in return for expensive manufacturing goods, the core expanded the gap. In this regard, uneven development is one of capitalism's basic components.

Historically, northwestern Europe developed as the first core region. Politically, the states within this part of Europe especially England, France, and Netherlands, developed strong central governments, extensive bureaucracies, and large mercenary armies. This permitted the local bourgeoisie to obtain control over international commerce and extract capital surplus from this trade for their own benefit. In the other parts of the world, Eastern Europe (especially Poland) and Latin America exhibited characteristics of the peripheral regions. In Poland, kings lost power to the nobility as the region became a prime exporter of wheat to the rest of Europe. To gain sufficient cheap and easily controlled labor, landlords forced rural workers into a "second serfdom" on their commercial estates. In Latin America, the Spanish and Portuguese conquests destroyed indigenous authority structures and replaced them with weak bureaucracies under the control of these European states. Powerful local landlords of Hispanic origin became aristocratic capitalist farmers. Enslavement of the native

populations, the importation of African slaves, and the coercive labor practices made possible the export of cheap raw materials to Europe. Labor systems in both peripheral areas differed from earlier forms in medieval Europe in that they were established to produce goods for a capitalist world economy and not merely for internal consumption. Furthermore, the aristocracy both in Eastern Europe and Latin America grew wealthy from their relationship with the world economy and could draw on the strength of a central core region to maintain control (Wallerstein, 1974).

The most important structure of the world-system is power hierarchy between core and periphery, in which powerful and wealthy core societies dominate and exploit weak and poor peripheral societies. The differential strength of countries within the world capitalist system is crucial to maintain the system as whole, because strong states reinforce and increase the flow of surplus to the core. This is what Wallerstein calls 'unequal exchange', the systemic transfer of surplus from subsistence sectors in the periphery to the high-technology, industrialized core (Wallerstein, 1979: 14). This system is much similar to the notion of 'capital accumulation' explained by Marx. With capital accumulation, the value of capital can be manipulated by capitalist mode of production. However, Wallerstein's view on capital accumulation is slightly different from Marx's due to the scope of analysis. Wallerstein perceives the capital accumulation as a world process, while Marx sees it as a series of parallel national process. As the result of unequal exchange and capital accumulation, the core benefits an increasingly higher level of living in the core including high wages and sophisticated public services.

Wallerstein also stresses the importance of a third category, the semi-periphery. Societies in this group stand between the core and the periphery in terms of economic power. The semi-periphery retained limited access to the production of high-cost and high-quality manufactured goods. Unlike the core, however, they failed to predominate in international trade and thus did not benefit to the same extent as the core. According to Wallerstein, some semi-periphery countries may eventually fall into the periphery, as did Spain in 17th

and 18th centuries, and other may eventually rise into the core, as has modern Japan. Semi-periphery also plays role to moderate the inequality between core and periphery by serving as buffer. It deflects the revolutionary activities of the periphery, and serves as a good place for capitalist investment when well-organized labor forces in core economy cause demand an increasing wage. Wallerstein believes that without the semi-periphery, the capitalist world-system cannot function.

World Unit of Analysis

Beside its outstanding historical explanation, another interesting point of the world-system theory is its world level of analysis. Wallerstein successfully transformed Marxist idea of class within the society into social class in international sphere. He adopted Marx's class argument and thus provided his own system of class stratification at the global scale. Therefore, it can be argued that Wallerstein's typology of core-periphery is similar to Marx's 'bourgeoisie-proletarian'. In other words, it is a kind of representation that the countries of the core are upper class, the periphery an exploited working class, and the semi periphery a middle class. What differentiates the Wallerstein's framework from Marx's is that Wallerstein's social classes operate at global scale rather than within state boundaries. He suggests that the world-system is a social reality composed of interconnected classes that are represented by nations in the three zones under the capitalist mode of production. This implies that the class structures within particular countries must be interpreted as mere subordinates of the international capitalist division of labor. They are analytically important primarily because they help to explain the performance of individual countries in international interaction. With an exception of Lenin's work on *Imperialism, the Highest Stage of Capitalism* (1917), intellectual works on capitalism before Wallerstein were dominated by individual or state discrete unit of analysis. The emergence of world-system theory was a breakthrough in terms of level of analysis that it came up with a world covered argument.

The roots of Wallerstein's conceptualization of social classes in global

scale can also be traced to intellectual context that influenced his works. Wallerstein was born in 1930 in New York, where he grew up and did all his formal studies. He obtained all of his academic degree from Columbia University, and later became a faculty member at Department of Sociology from 1958 to 1971. As 'social-constructivism' suggests that social environment plays pivotal roles in constructing individuals identity and perspective, this may help us to understanding Wallerstein's intellectual standing point. It can be argued here that the New York cosmopolitanism had shaped Wallerstein's interest to macro-structure, and it was combined by critical mainstream of thinking that was developed in Columbia University. Similarly to this point, Goldfrank explains,

The experience of New York City in those years of its blossoming into world primacy was one of cosmopolitanism (the United Nations), visible class and state power (the Rockefeller family, Robert Moses), ethnic social mobility (Fiorello LaGuardia, Herbert Lehman, Jackie Robinson), and cultural and political radicalism (Greenwich Village, the Left)... Like the London of Marx's maturity, the New York of Wallerstein's youth was both a haven for refugee intellectuals and the prime vantage point for seeing the world as whole (Goldfrank, 2000: 153).

World-system theory is not merely an analytical framework to explain economic inequality in the world, indeed it has a significant conceptualization on the political side. For Wallerstein, nation-states are variables that play roles in the structure of the international system. States are used by class forces to pursue their interest. Wallerstein points out three aspects of the state system as crucial: imperialism, hegemony, and class struggle. Imperialism refers to the domination of weak peripheral regions by strong core states. It does not merely refer to territorial expansion of the strong powers through colonization, but it includes the exercise of power by core states to enforce the mechanism of unequal exchange and to distort world market in their favor.

Hegemony refers to the existence of one core state outstripping the rest. It

is characterized by simultaneous supremacy in production, commerce, and and finance which in turn support powerful military apparatus. Hegemonic powers maintain a stable balance of power and enforce free trade as long as it is their advantage. The final crucial aspect of the state system is the prominence of class struggle as the stuff of politics within and across state boundaries. Here, world-system theory suggests distinctive argumentation that there is class alliance across state boundaries, as bourgeoisie in several locations collude to protect the process of capital accumulation even as they compete over relative shares (Wallerstein, 1974: 127-189).

The Relations to Other Theories

Wallerstein's world scale framework in explaining capitalism is also perceived as a criticism to modernization theory that dominated the social sciences in 1950s and 1960s. The modernization approach is characterized by its emphasis on internal factors of the country in explanation of social transformation. The modernists generally argue that all countries can potentially follow a single path of evolutionary development from 'traditional' to 'modernity' that can be elaborated and applied to all national cases, but disregard the world-historical development of international structure that constrain the national development. The prominent scholar of this approach was Walt Rostow who introduced the 'take-off' model of economic development that was broadly adopted by the Third World countries in 1960s. In reaction to modernization theory, Wallerstein proposes the world-system theory with the structural emphasis in that functioning the capitalist world-economy as a system. He states, "we do not live in a modernizing world but in a capitalist world. What makes this world tick is not the need for achievement but the need for profit" (Wallerstein, 1979: 133).

World-system theory challenges the emphasis on the nation-state as the unit of analysis posited by modernization theorists. Modernization perspective assumes that social change is principally occurred in societies within state boundaries, and seek to explain the difference between these societal-units. The

idea was strongly influenced by Emile Durkheim who developed the concept of functionalism that stresses the interaction between institutions in a society as a model to maintain social and cultural unity. World-system theory criticizes the modernization approach for refusing the idea of those deep structural factors might prevent economic progress. Each country has a different circumstance that may either accelerate or hinder its economic development. Therefore, the uniformity of countries' development posited by modernization theorists is nonsensical. Wallerstein argues that the existence of capitalism with the ability to extend their markets and political powers throughout the world is the main factor that redirects the evolution of societies. For instance, England have gone through stages that led it to become a mature industrialized country, but Poland went through an entirely different path and turned into a situation that England had never been. It was a dependency of the capitalist world-system. The worse situation has occurred in the cases of Latin America, Africa, and most of Asia. All of these societies were forced into different paths of development by capitalist powers. Core countries such as England preceded toward industrialized societies only with the aid of surplus extorted from the societies their exploited (Wallerstein, 1979).

The modernization approach also focuses on internal factors in explaining the problem of the Third World countries. Modernization theorists blame internal factors such as traditional culture, overpopulation, little investment, and lack of achievement motivation, as the main reasons why the Third World countries remain backward and stagnant. This argument is countered by world-system theory arguing that it is international structure created by capitalism that prevents the development of the peripheral countries. The capitalist world-system creates a specific division of labor and production by dividing the world into core- semi-periphery- periphery regions that have distinctive functions but they are basically directed to increase profits in the core countries.

In addition, world-system theory criticizes the modernization approach by claiming it as 'ahistorical'. The modernization idea that each national society could develop in basically the same is perceived by world-system theory as

ignorance of history. According to world-system theory, Third World countries could never follow the Western path because they have experienced something that Western countries have not experienced. It was 'colonialism' that created historical gap between the two worlds. Western countries have not experienced it, while most Third World countries are former colonies of Western countries. An experience of being colonized for more than a century has totally restructured and altered the paths of the Third World countries development. Such criticism is supported by Andre Gunder Frank, a dependence theorist, who also offers an 'external' explanation for Third World development. Frank argues that the backwardness of the Third World countries cannot be explained by feudalism or traditionalism as it is suggested by modernization theories. In fact, it is wrong to characterize Third World countries as 'primitive' or 'traditional'; because many countries such as China and India were quite advanced before they encountered colonialism. Instead, the historical experience of colonialism and foreign domination have reversed the development of many advanced countries and forced them to move along the path of economic backwardness (Frank in So, 1990: 97).

From this point, the relationship of world-system theory to the dependency theory can be seen. World-system theory is in many ways an adaptation of dependency theory, in which Wallerstein draws heavily a neo-Marxist explanation of development process. The dependency theory basically suggests that the poverty of the peripheral countries is a result of their integration into world economic system. It was primarily developed in Latin America with the most prominent theorist Raul Prebisch, an Argentinean who headed the United Nations Economic Commission for Latin America (ECLA) in 1950s. Prebisch's dependency idea originated with his experiences as a technical advisor to Argentina government in 1930s. Argentina was turning from benefiting free trade into vulnerability of primary export economy in times of international economic crisis. Raul Prebisch argues that countries in the periphery are suffering as a result of what he calls 'the declining terms of trade'. It suggests that the price of manufactured goods increased more rapidly than

that of raw materials. As the result of this trend, countries in the periphery become poorer relative to the core (Hobden & Jones, 2008: 147). Dependency theory has been subsequently developed mostly by Latin American writers such as Theotonio dos Santos, Fernando Henrique Cardoso, etc.

Dependence theory and world-system theory together pose severe criticism to capitalist world economy that practiced by Western countries. They share a common framework of core-periphery relation and historical approach in explaining the structure of world capitalism. For instance, Wallerstein is fascinated by Frank's point of view that proposes the phrase 'the development of underdevelopment' to describe the result of the policies of core states and international agencies which promote capitalism in the world-economy. Frank argues that underdevelopment is naturally inherent in the Third World countries, but it is the consequence of historical capitalism (Wallerstein, 2004: 12).

Even though dependency theories and world-system theory share common ideas on how world-capitalist economic system works, they have distinctive focuses of analysis. It is obvious that world-system theory adopts the 'core-periphery' framework from dependency theory, but they use it in different directions. Dependency theory uses the centrality of core-periphery relations to understand the periphery, while world-system theory makes the core-periphery relations critical for understanding the core. In addition, the notion of 'semi-periphery' was originally developed by the world-system theory. Instead of a simply adopting the core-periphery model suggested by the dependency theory, Wallerstein developed the 'semi-periphery' concepts as a theoretical breakthrough for understanding the world-capitalist economic structure. While dependency 'core-periphery' is a fixed relationship, world-system theory allows the mobility of states in terms of their position. For instance, a semi-peripheral country moves into the core as it is shown by Japan in 20th century, or semi-periphery declines into periphery as it happened to Spain and Portugal in the 19th century. According to Alvin Y. So, the concept enables researchers to examine the complexity and the changing nature of the capitalist world-economy (So, 1990: 198).

In sum, Wallerstein's world-system theory is one of important thoughts in social sciences basically because of its innovative attempt to conceptualize world's social changes within a historical framework, and its focus on world unit of analysis in explaining capitalist economic structure. The emergence of world-system can be seen as a continuation of neo-marxist mainstream of dependency theory that posed criticism to capitalist economic system supported by modernization theorists.

Assessing the World-System as a Theory

The main objective of this paper is to assess the theoretical validity and reliability of Wallerstein's world-system. For that purpose, I employ the basic requirements for social-science theory that it has to 'describe', 'explain', and 'predict' social phenomena. I argue that the world-system theory is satisfactory fulfilling all those requirements and can be considered as a good theory.

First, world-system is theory that identifies, defines, and describes phenomena. By the world-system theory, Wallerstein identifies a set of social phenomena in the world as he calls it as world class inequality, and put it into an analytical framework of world-system that characterizes countries on their mode of production. World-system theory is a reflection of social-class relations but in a global scale. It describes the world structure as international divisions of labor in that resource are redistributed from *periphery* to the *core*. The periphery is described as less-developed, or under-developed, countries that typically exports raw materials, while the core is well-developed countries that export high-technology manufactured products. The core-periphery relationship is exploitative, representing the world structure of inequality in which core countries receive a much greater share of profits from international trade than peripheral countries do. In addition, there is also the *semi-periphery* where countries play an intermediate role between the core and the periphery. Within the world-system structure, the three zones are linked together, and the wealth is drained from the periphery and the semi-periphery to be accumulated in the core.

Second, world-system theory is analytical structure that is designed to explain phenomena. It makes assertions about the underlying factors that bring about the described phenomena. World-system theory explains that the world structure of international division of labor is the result of the latest development of capitalism. After centuries of transformation and expansion, the capitalist mode of production has successfully survived and constituted the today's world system. The historical evolution of world capitalism is comprehensively discussed within the three volumes of Wallerstein's work on the world-system theory that suggests that the capitalist system has developed through three stages: mini-systems, world-empires, and finally the world-economies. World-system theory provides an insight into the core - periphery - semi-periphery relations, explaining that the differential strength of the countries in these zones is crucial to maintain the system in that powerful and wealthy countries in the core dominate and exploit weak and poor countries in the periphery and semi-periphery.

It also explains the intermediate role of semi-periphery that stands between the core and the periphery in terms of economic power. Semi-periphery retains a limited access to the production of high quality manufactured goods, but it is structurally obscured to predominate in international trade and thus does not benefit to the same extent as the core. Furthermore, the theory explains that, by serving as a buffer zone, the semi-periphery deflects revolutionary activities of the periphery, and serves a potentially good place for capitalist investment when well-organized labor forces in the core demand an increasing wage.

Conclusion

The world-system theory makes a clear prediction that the consequence of the relationship between actors within the capitalist world structure is that the difference between the core and the periphery is increasing. Initially, the difference was small, but by exploiting the relationship and trading expensive manufactured goods for cheap primary products from the periphery, the core

certainly expands the gap. In the world system theory, it is argued that the core countries will continuously maintain the 'uneven development' among the actors in international trade as it is one of the basic components of capitalism.

References

- Goldfrank, Walter L. 1979. *The World-System of Capitalism: Past and Present*. London: Sage Publication.
- Goldfrank, Walter L. 2000. "Paradigm regained? The rules of Wallerstein's World-System Method". *Journal of World-Systems Research*. Vol. 6. N. 2. pp. 150-195.
- Hobden, Stephen & Jones, Richard Wyn. 2008. "Marxist Theories of International Relations". In Baylis, Steve et.al. *The Globalization of World Politics*. New York: Oxford University Press.
- Hopkins, Terence K & Wallerstein, Immanuel. 1996. *The Age of Transition: Trajectory of the World-System, 1945-2025*. London: Zed Books.
- Prebisch, Raul. 1950. *The Economic Development of Latin America and Its Principal Problems*. New York: United Nations
- So, Alvin Y. 1990. *Social Change and Development*. Newbury Park: Sage Publications.
- Wallerstein, Immanuel. 1974. *The Modern World-System I: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. New York: Academic Press.
- , 1975. *World Inequality: Origins and Perspectives on the World System*. Montreal: Black Rose Books.
- , 1979. *Capitalist World-Economy*. London: Cambridge University Press.
- , 1980. *The Modern World-System II: Mercantilism and the Consolidation of the European World-Economy, 1600-1750*. New York: Academic Press.
- , 1989. *The Modern World-System III: The Second Great Expansion of the Capitalist World-Economy, 1730-1840's*. San Diego: Academic Press.
- , 2004. *World-Systems Analysis*. Durham: Duke University Pres.