

# The capitalist world-economy

Essays by

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# Part I

## The inequalities of core and periphery

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### 1 ♣ The rise and future demise of the world capitalist system: concepts for comparative analysis

The growth within the capitalist world-economy of the industrial sector of production, the so-called 'industrial revolution', was accompanied by a very strong current of thought which defined this change as both a process of organic development and of progress. There were those who considered these economic developments and the concomitant changes in social organization to be some penultimate stage of world development whose final working out was but a matter of time. These included such diverse thinkers as Saint-Simon, Comte, Hegel, Weber, Durkheim. And then there were the critics, most notably Marx, who argued, if you will, that the nineteenth-century present was only an antepenultimate stage of development, that the capitalist world was to know a cataclysmic political revolution which would then lead in the fullness of time to a final societal form, in this case the classless society.

One of the great strengths of Marxism was that, being an oppositional and hence critical doctrine, it called attention not merely to the contradictions of the system but to those of its ideologists, by appealing to the empirical evidence of historical reality which unmasked the irrelevancy of the models proposed for the explanation of the social world. The Marxist critics saw in abstracted models concrete rationalization, and they argued their case fundamentally by pointing to the failure of their

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opponents to analyze the social whole. As Lukacs put it, 'it is not the primacy of economic motives in historical explanation that constitutes the decisive difference between Marxism and bourgeois thought, but the point of view of totality'.<sup>1</sup>

In the mid twentieth century, the dominant theory of development in the core countries of the capitalist world-economy has added little to the theorizing of the nineteenth-century progenitors of this mode of analysis, except to quantify the models and to abstract them still further, by adding on epicyclical codas to the models in order to account for ever further deviations from empirical expectations.

What is wrong with such models has been shown many times over, and from many standpoints. I cite only one critic, a non-Marxist, Robert Nisbet, whose very cogent reflections on what he calls the 'Western theory of development' concludes with this summary:

[We] turn to history and only to history if what we are seeking are the actual causes, sources, and conditions of overt changes of patterns and structures in society. Conventional wisdom to the contrary in modern social theory, we shall not find the explanation of change in those studies which are abstracted from history; whether these be studies of small groups in the social laboratory, group dynamics generally, staged experiments in social interaction, or mathematical analyses of so-called social systems. Nor will we find the sources of change in contemporary revivals of the comparative method with its ascending staircase of cultural similarities and differences plucked from all space and time.<sup>2</sup>

Shall we then turn to the critical schools, in particular Marxism, to give us a better account of social reality? In principle yes; in practice there are many different, often contradictory, versions extant of 'Marxism'. But what is more fundamental is the fact that in many countries Marxism is now the official state doctrine. Marxism is no longer exclusively an oppositional doctrine as it was in the nineteenth century.

The social fate of official doctrines is that they suffer a constant social pressure towards dogmatism and apologia, difficult although by no means impossible to counteract, and that they thereby often fall into the same intellectual dead end of ahistorical model building. Here the critique of Fernand Braudel is most pertinent:

1. George Lukacs, 'The Marxism of Rosa Luxemburg', in *History and Class Consciousness* (London: Merlin Press, 1968), p. 27.
2. Robert A. Nisbet, *Social Change and History* (New York: Oxford University Press, 1969), pp. 302-3. I myself would exempt from this criticism the economic history literature.

Marxism is a whole collection of models... I shall protest... more or less, not against the model, but rather against the use to which people have thought themselves entitled to put it. The genius of Marx, the secret of his enduring power, lies in his having been the first to construct true social models, starting out from the long term (*la longue durée*). These models have been fixed permanently in their simplicity; they have been given the force of law and they have been treated as ready-made, automatic explanations, applicable in all places to all societies... In this way has the creative power of the most powerful social analysis of the last century been shackled. It will be able to regain its strength and vitality only in the long term.<sup>3</sup>

Nothing illustrates the distortions of ahistorical models of social change better than the dilemmas to which the concept of stages gives rise. If we are to deal with social transformations over long historical time (Braudel's 'the long term'), and if we are to give an explanation of both continuity and transformation, then we must logically divide the long term into segments in order to observe the structural changes from time A to time B. These segments are however not discrete but continuous in reality; *ergo* they are 'stages' in the 'development' of a social structure, a development which we determine however not *a priori* but *a posteriori*. That is, we cannot predict the future concretely, but we can predict the past.

The crucial issue when comparing 'stages' is to determine the units of which the 'stages' are synchronic portraits (or 'ideal types', if you will). And the fundamental error of ahistorical social science (including ahistorical versions of Marxism) is to reify parts of the totality into such units and then to compare these reified structures.

For example, we may take modes of disposition of agricultural production, and term them subsistence cropping and cash cropping. We may then see these as entities which are 'stages' of a development. We may talk about decisions of groups of peasants to shift from one to the other. We may describe other partial entities, such as states, as having within them two separate 'economies', each based on a different mode of disposition of agricultural production. If we take each of these successive steps, all of which are false steps, we will end up with the misleading concept of the 'dual economy' as have many liberal economists dealing with the so-called underdeveloped countries of the world.

3. Fernand Braudel, 'History and the Social Sciences', in Peter Burke (ed.), *Economy and Society in Early Modern Europe* (London: Routledge and Kegan Paul, 1972), pp. 38-9.

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Still worse, we may reify a misreading of British history into a set of universal 'stages' as Rostow does.

Marxist scholars have often fallen into exactly the same trap. If we take modes of payment of agricultural labor and contrast a 'feudal' mode wherein the laborer is permitted to retain for subsistence a part of his agricultural production with a 'capitalist' mode wherein the same laborer turns over the totality of his production to the landowner, receiving part of it back in the form of wages, we may then see these two modes as 'stages' of a development. We may talk of the interests of 'feudal' landowners in preventing the conversion of their mode of payment to a system of wages. We may then explain the fact that in the twentieth century a partial entity, say a state in Latin America, has not yet industrialized as the consequence of its being dominated by such landlords. If we take each of these successive steps, all of which are false steps, we will end up with the misleading concept of a 'state dominated by feudal elements', as though such a thing could possibly exist in a capitalist world-economy. But, as André Gunder Frank has clearly spelled out, such a myth dominated for a long time 'traditional Marxist' thought in Latin America.<sup>4</sup>

Not only does the misidentification of the entities to be compared lead us into false concepts, but it creates a non-problem: can stages be skipped? This question is only logically meaningful if we have 'stages' that 'coexist' within a single empirical framework. If within a capitalist world-economy, we define one state as feudal, a second as capitalist, and a third as socialist, then and only then can we pose the question: can a country 'skip' from the feudal stage to the socialist stage of national development without 'passing through capitalism'?

But if there is no such thing as 'national development' (if by that we mean a natural history), and if the proper entity of comparison is the world system, then the problem of stage skipping is nonsense. If a stage can be skipped, it isn't a stage. And we know this *a posteriori*.

If we are to talk of stages, then – and we should talk of stages – it must be stages of social systems, that is, of totalities. And the only totalities that exist or have historically existed are minisystems

4. See André Gunder Frank, 'The Myth of Feudalism', in *Capitalism and Under-development in Latin America* (New York: Monthly Review Press, 1967), pp. 221–42.



and world-systems, and in the nineteenth and twentieth centuries there has been only one world-system in existence, the capitalist world-economy.

We take the defining characteristic of a social system to be the existence within it of a division of labor, such that the various sectors or areas within are dependent upon economic exchange with others for the smooth and continuous provisioning of the needs of the area. Such economic exchange can clearly exist without a common political structure and even more obviously without sharing the same culture.

A minisystem is an entity that has within it a complete division of labor, and a single cultural framework. Such systems are found only in very simple agricultural or hunting and gathering societies. Such minisystems no longer exist in the world. Furthermore, there were fewer in the past than is often asserted, since any such system that became tied to an empire by the payment of tribute as 'protection costs'<sup>5</sup> ceased by that fact to be a 'system', no longer having a self-contained division of labor. For such an area, the payment of tribute marked a shift, in Polanyi's language, from being a reciprocal economy to participating in a larger redistributive economy.<sup>6</sup>

Leaving aside the now defunct minisystems, the only kind of social system is a world-system, which we define quite simply as a unit with a single division of labor and multiple cultural systems. It follows logically that there can, however, 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.

It turns out empirically that world-economies have historically been unstable structures leading either towards disintegration or conquest by one group and hence transformation into a world-empire. Examples of such world-empires emerging from world-economies are all the so-called great civilizations of premodern times, such as China, Egypt, Rome (each at appropriate periods

5. See Frederic Lane's discussion of 'protection costs' which is reprinted in part 3 of *Venice and History* (Baltimore: Johns Hopkins Press, 1966). For the specific discussion of tribute, see pp. 389-90, 416-20.

6. See Karl Polanyi, 'The Economy as Instituted Process', in Karl Polanyi, Conrad M. Arsenberg and Harry W. Pearson (eds.), *Trade and Market in the Early Empire* (Glencoe: Free Press, 1957), pp. 243-70.

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of its history). On the other hand, the so-called nineteenth-century empires, such as Great Britain or France, were not world-empires at all, but nation-states with colonial appendages operating within the framework of a world-economy.

World-empires were basically redistributive in economic form. No doubt they bred clusters of merchants who engaged in economic exchange (primarily long distance trade), but such clusters, however large, were a minor part of the total economy and not fundamentally determinative of its fate. Such long-distance trade tended to be, as Polanyi argues, 'administered trade' and not market trade, utilizing 'ports of trade'.

It was only with the emergence of the modern world-economy in sixteenth-century Europe that we saw the full development and economic predominance of market trade. This was the system called capitalism. Capitalism and a world-economy (that is, a single division of labor but multiple polities and cultures) are obverse sides of the same coin. One does not cause the other. We are merely defining the same indivisible phenomenon by different characteristics.

How and why it came about that this particular European world-economy of the sixteenth century did not become transformed into a redistributive world-empire but developed definitively as a capitalist world-economy I have explained elsewhere.<sup>7</sup> The genesis of this world-historical turning point is marginal to the issues under discussion in this paper, which is rather what conceptual apparatus one brings to bear on the analysis of developments within the framework of precisely such a capitalist world-economy.

Let us therefore turn to the capitalist world-economy. We shall seek to deal with two pseudoproblems, created by the trap of not analyzing totalities: the so-called persistence of feudal forms, and the so-called creation of socialist systems. In doing this, we shall offer an alternative model with which to engage in comparative analysis, one rooted in the historically specific totality which is the world capitalist economy. We hope to demonstrate thereby that to be historically specific is not to fail to be analytically universal. On the contrary, the only road to nomothetic propositions is

7. See my *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century* (New York: Academic Press, 1974).

through the historically concrete, just as in cosmology the only road to a theory of the laws governing the universe is through the concrete analysis of the historical evolution of this same universe.<sup>8</sup> On the 'feudalism' debate, we take as a starting point Frank's concept of 'the development of underdevelopment', that is, the view that the economic structures of contemporary underdeveloped countries is not the form which a 'traditional' society takes upon contact with 'developed' societies, not an earlier stage in the 'transition' to industrialization. It is rather the result of being involved in the world-economy as a peripheral, raw material producing area, or as Frank puts it for Chile, 'underdevelopment... is the necessary product of four centuries of capitalism itself'.<sup>9</sup>

This formulation runs counter to a large body of writing concerning the underdeveloped countries that was produced in the period 1950–70, a literature which sought the factors that explained 'development' within non-systems such as 'states' or 'cultures' and, once having presumably discovered these factors, urged their reproduction in underdeveloped areas as the road to salvation.<sup>10</sup>

Frank's theory also runs counter, as we have already noted, to the received orthodox version of Marxism that had long dominated Marxist parties and intellectual circles, for example in Latin America. This older 'Marxist' view of Latin America as a set of feudal societies in a more or less prebourgeois stage of development has fallen before the critiques of Frank and many others as well as before the political reality symbolized by the Cuban revolution and all its many consequences. Recent analysis in Latin America has centered instead around the concept of 'dependence'.<sup>11</sup>

8. Philip Abrams concludes a similar plea with this admonition: 'The academic and intellectual dissociation of history and sociology seems, then, to have had the effect of deterring both disciplines from attending seriously to the most important issues involved in the understanding of social transition'. 'The Sense of the Past and the Origins of Sociology', *Past and Present*, 55 (May 1972), 32.

9. Frank, 'The Myth of Feudalism', p. 3.

10. Frank's critique, now classic, of these theories is entitled 'Sociology of Development and Underdevelopment of Sociology' and is reprinted in *Latin America: Underdevelopment or Revolution* (New York: Monthly Review Press, 1969), pp. 21–94.

11. See Theotonio Dos Santos, *La Nueva Dependencia* (Buenos Aires: s/ediciones, 1968).

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However, recently, Ernesto Laclau has made an attack on Frank which, while accepting the critique of dualist doctrines, refuses to accept the categorization of Latin American states as capitalist. Instead Laclau asserts that 'the world capitalist system . . . includes, *at the level of its definition*, various modes of production'. He accuses Frank of confusing the two concepts of the 'capitalist mode of production' and 'participation in a world capitalist economic system'.<sup>12</sup>

Of course, if it's a matter of definition, then there can be no argument. But then the polemic is scarcely useful since it is reduced to a question of semantics. Furthermore, Laclau insists that the definition is not his but that of Marx, which is more debatable. Rosa Luxemburg put her finger on a key element in Marx's ambiguity or inconsistency in this particular debate, the ambiguity which enables both Frank and Laclau to trace their thoughts to Marx:

Admittedly, Marx dealt in detail with the process of appropriating non-capitalist means of production [NB, Luxemburg is referring to primary products produced in peripheral areas under conditions of coerced labor] as well as with the transformation of the peasants into a capitalist proletariat. Chapter xxiv of *Capital*, Vol. 1, is devoted to describing the origin of the English proletariat, of the capitalistic agricultural tenant class and of industrial capital, with particular emphasis on the looting of colonial countries by European capital. Yet we must bear in mind that all this is treated solely with a view to so-called primitive accumulation. For Marx, these processes are incidental, illustrating merely the genesis of capital, its first appearance in the world; they are, as it were, travails by which the capitalist mode of production emerges from a feudal society. As soon as he comes to analyze the capitalist process of production and circulation, he reaffirms the universal and exclusive domination of capitalist production [NB, that is, production based on wage labor].<sup>13</sup>

There is, after all, a substantive issue in this debate. It is in fact the same substantive issue that underlay the debate between

12. Ernesto Laclau (*h*), 'Feudalism and Capitalism in Latin America', *New Left Review*, 67 (May-June 1971), 37-8.

13. *The Accumulation of Capital* (New York: Monthly Review Press, 1968), pp. 364-5. Luxemburg however, as is evident, lends herself further to the confusion by using the terminology of 'capitalistic' and 'non-capitalistic' modes of production. Leaving these terms aside, her vision is impeccable: 'From the aspect both of realising the surplus value and of producing the material elements of constant capital, international trade is a prime necessity for the historical existence of capitalism - an international trade which under actual conditions is essentially an exchange between capitalistic and non-capitalistic modes of production'. *Ibid.*, p. 359. She shows similar insight into the need of recruiting labor for core areas from the periphery, what she calls 'the increase in the variable capital'. See *ibid.*, p. 361.

Maurice Dobb and Paul Sweezy in the early 1950s about the 'transition from feudalism to capitalism' that occurred in early modern Europe.<sup>14</sup> The substantive issue, in my view, concerns the appropriate unit of analysis for the purpose of comparison. Basically, although neither Sweezy nor Frank is quite explicit on this point, and though Dobb and Laclau can both point to texts of Marx that seem clearly to indicate that they more faithfully follow Marx's argument, I believe both Sweezy and Frank better follow the spirit of Marx if not his letter<sup>15</sup> and that, leaving Marx quite out of the picture, they bring us nearer to an understanding of what actually happened and is happening than do their opponents.

What is the picture, both analytical and historical, that Laclau constructs? The heart of the problem revolves around the existence of free labor as the defining characteristic of a capitalist mode of production:

The fundamental economic relationship of capitalism is constituted by the *free* [italics mine] labourer's sale of his labour-power, whose necessary precondition is the loss by the direct producer of ownership of the means of production...

If we now confront Frank's affirmation that the socio-economic complexes of Latin America has been capitalist since the Conquest Period... with the currently available empirical evidence, we must conclude that the 'capitalist' thesis is indefensible. In regions with dense indigenous populations – Mexico, Peru, Bolivia, or Guatemala – the direct producers were not despoiled of their ownership of the means of production, while extra-economic coercion to maximize various systems of labour service... was progressively intensified. In the plantations of the West Indies, the economy was based on a mode of production constituted by slave labour, while in the mining areas there developed disguised forms of slavery and other types of forced labour which bore not the slightest resemblance to the formation of a capitalist proletariat.<sup>16</sup>

14. The debate begins with Maurice Dobb, *Studies in the Development of Capitalism* (London: Routledge and Kegan Paul, 1946). Paul Sweezy criticized Dobb in 'The Transition from Feudalism to Capitalism', *Science and Society*, 14: 2 (Spring 1950), 134–57, with a 'Reply' by Dobb in the same issue. From that point on many others got into the debate in various parts of the world. I have reviewed and discussed this debate in *extenso* in ch. 1 of *The Modern World-System*.
15. It would take us into a long discursus to defend the proposition that, like all great thinkers, there was the Marx who was the prisoner of his social location and the Marx, the genius, who could on occasion see from a wider vantage point. The former Marx generalized from British history. The latter Marx is the one who has inspired a critical conceptual framework of social reality. W. W. Rostow incidentally seeks to refute the former Marx by offering an alternative generalization from British history. He ignores the latter and more significant Marx. See *The Stages of Economic Growth: A Non-Communist Manifesto* (Cambridge: University Press, 1960).
16. Laclau, 'Feudalism and Capitalism', pp. 25, 30.

There in a nutshell it is. Western Europe, at least England from the late seventeenth century on, had primarily landless, wage-earning laborers. In Latin America, then and to some extent still now, laborers were not proletarians, but slaves or 'serfs'. If proletariat, then capitalism. Of course. To be sure. But is England, or Mexico, or the West Indies a unit of analysis? Does each have a separate 'mode of production'? Or is the unit (for the sixteenth–eighteenth centuries) the European world-economy, including England *and* Mexico, in which case what was the 'mode of production' of this world-economy?

Before we argue our response to this question, let us turn to quite another debate, one between Mao Tse-Tung and Liu Shao-Chi in the 1960s concerning whether or not the Chinese People's Republic was a 'socialist state'. This is a debate that has a long background in the evolving thought of Marxist parties.

Marx, as has been often noted, said virtually nothing about the post-revolutionary political process. Engels spoke quite late in his writings of the 'dictatorship of the proletariat'. It was left to Lenin to elaborate a theory about such a 'dictatorship', in his pamphlet *State and Revolution*, published in the last stages before the Bolshevik takeover of Russia, that is, in August 1917. The coming to power of the Bolsheviks led to a considerable debate as to the nature of the regime that had been established. Eventually a theoretical distinction emerged in Soviet thought between 'socialism' and 'communism' as two stages in historical development, one realizable in the present and one only in the future. In 1936 Stalin proclaimed that the USSR had become a socialist (but not yet a communist) state. Thus we now had firmly established *three* stages after bourgeois rule: a post-revolutionary government, a socialist state, and eventually communism. When, after the Second World War, various regimes dominated by the Communist Party were established in various east European states, these regimes were proclaimed to be 'peoples' democracies', a new name then given to the post-revolutionary stage one. At later points, some of these countries, for example Czechoslovakia, asserted they had passed into stage two, that of becoming a socialist republic.

In 1961, the 22nd Congress of the CPSU invented a fourth stage, in between the former second and third stages: that of a socialist

state which had become a 'state of the whole people', a stage it was contended the USSR had at that point reached. The Programme of the Congress asserted that 'the state as an organization of the entire people will survive until the complete victory of communism'.<sup>17</sup> One of its commentators defines the 'intrinsic substance (and) chief distinctive feature' of this stage: 'The state of the whole people is the first state in the world with no class struggle to contend with and, hence, with no class domination and no suppression.'<sup>18</sup>

One of the earliest signs of a major disagreement in the 1950s between the Communist Party of the Soviet Union and the Chinese Communist Party was a theoretical debate that revolved around the question of the 'gradual transition to Communism'. Basically, the CPSU argued that different socialist states would proceed separately in effectuating such a transition whereas the CCP argued that all socialist states would proceed simultaneously.

As we can see, this last form of the debate about 'stages' implicitly raised the issue of the unit of analysis, for in effect the CCP was arguing that 'communism' was a characteristic not of nation-states but of the world-economy as a whole. This debate was transposed onto the internal Chinese scene by the ideological debate, now known to have deep and long-standing roots, that gave rise eventually to the Cultural Revolution.

One of the corollaries of these debates about 'stages' was whether or not the class struggle continued in post-revolutionary states prior to the achievement of communism. The 22nd Congress of the CPSU in 1961 had argued that the USSR had become a state without an internal class struggle, there were no longer existing antagonistic classes within it. Without speaking of the USSR, Mao Tse-Tung in 1957 had asserted in China:

The class struggle is by no means over. . . It will continue to be long and tortuous, and at times will even become very acute. . . Marxists are still a minority among the entire population as well as among the intellectuals. Therefore, Marxism must still develop through struggle. . . Such struggles will never end. This is the law of development of truth and, naturally, of Marxism as well.<sup>19</sup>

17. Cited in F. Burlatsky, *The State and Communism* (Moscow: Progress Publishers, n.d. [1961]), p. 95.

18. *Ibid.*, p. 97.

19. Mao Tse-Tung, *On The Correct Handling of Contradictions Among The People*, 7th edn, revised translation (Peking: Foreign Languages Press, 1966), pp. 37-8.

If such struggles *never* end, then many of the facile generalizations about ‘stages’ which ‘socialist’ states are presumed to go through are thrown into question.

During the Cultural Revolution, it was asserted that Mao’s report *On the Correct Handling of Contradiction Among the People* cited above, as well as one other, ‘entirely repudiated the “theory of the dying out of the class struggle” advocated by Liu Shao-Chi. . .’<sup>20</sup> Specifically, Mao argued that ‘the elimination of the system of ownership by the exploiting classes through socialist transformation is not equal to the disappearance of struggle in the political and ideological spheres’.<sup>21</sup>

Indeed, this is the logic of a *cultural* revolution. Mao is asserting that even if there is the achievement of *political* power (dictatorship of the proletariat) and *economic* transformation (abolition of private ownership of the means of production), the revolution is still far from complete. Revolution is not an event but a process. This process Mao calls ‘socialist society’ – in my view a somewhat confusing choice of words, but no matter – and ‘socialist society covers a fairly long historical period’.<sup>22</sup> Furthermore, ‘there are classes and class struggle throughout the period of socialist society’.<sup>23</sup> The Tenth Plenum of the 8th Central Committee of the CCP, meeting from 24 to 27 September 1962, in endorsing Mao’s views, omitted the phrase ‘socialist society’ and talked instead of ‘the historical period of proletarian revolution and proletarian dictatorship, . . . the historical period of transition from capitalism to communism’, which it said ‘will last scores of years or even longer’ and during which ‘there is a class struggle between the proletariat and the bourgeoisie and struggle between the socialist road and the capitalist road’.<sup>24</sup>

20. *Long Live The Invincible Thought of Mao Tse-Tung!*, undated pamphlet, issued between 1967 and 1969, translated in *Current Background*, 884 (18 July 1969), 14.

21. This is the position taken by Mao Tse-Tung in his speech to the Work Conference of the Central Committee at Peitaiho in August 1962, as reported in the pamphlet, *Long Live . . .*, p. 20. Mao’s position was subsequently endorsed at the 10th Plenum of the 8th CCP Central Committee in September 1962, a session this same pamphlet describes as ‘a great turning point in the violent struggle between the proletarian headquarters and the bourgeois headquarters in China’. *Ibid.*, p. 21.

22. Remarks made by Mao at 10th Plenum, cited in *ibid.*, p. 20.

23. Mao Tse-Tung, ‘Talk on the Question of Democratic Centralism’, 30 January 1962, in *Current Background*, 891 (8 October 1969), 39.

24. ‘Communiqué of the 10th Plenary Session of the 8th Central Committee of the Chinese Communist Party’, *Current Background*, 691 (5 October 1962), 3.



We do not have directly Liu's counter arguments. We might however take as an expression of the alternative position a recent analysis published in the USSR on the relationship of the socialist system and world development. There it is asserted that at some unspecified point after the Second World War, 'socialism outgrew the bounds of one country and became a world system. . .'.<sup>25</sup> It is further argued that: 'Capitalism, emerging in the 16th century, became a world economic system only in the 19th century. It took the bourgeois revolutions 300 years to put an end to the power of the feudal elite. It took socialism 30 or 40 years to generate the forces for a new world system.'<sup>26</sup> Finally, this book speaks of 'capitalism's international division of labor'<sup>27</sup> and 'international socialist cooperation of labor'<sup>28</sup> as two separate phenomena, drawing from this counterposition the policy conclusion: 'Socialist unity has suffered a serious setback from the divisive course being pursued by the incumbent leadership of the Chinese People's Republic', and attributes this to 'the great-power chauvinism of Mao Tse-Tung and his group'.<sup>29</sup>

Note well the contrast between these two positions. Mao Tse-Tung is arguing for viewing 'socialist society' as process rather than structure. Like Frank and Sweezy, and once again implicitly rather than explicitly, he is taking the world-system rather than the nation-state as the unit of analysis. The analysis by USSR scholars by contrast specifically argues the existence of *two* world-systems with two divisions of labor existing side by side, although the socialist system is acknowledged to be 'divided'. If divided politically, is it united economically? Hardly, one would think; in which case what is the substructural base to argue the existence of the system? Is it merely a moral imperative? And are then the Soviet scholars defending their concepts on the basis of Kantian metaphysics?

Let us see now if we can reinterpret the issues developed in these two debates within the framework of a general set of concepts that could be used to analyze the functioning of world-

25. Yuri Sdobnikov (ed.), *Socialism and Capitalism: Score and Prospects* (Moscow: Progress Publications, 1971), p. 20. The book was compiled by staff members of the Institute of World Economy and International Relations, and the senior contributor was Professor V. Aboltin.

26. *Ibid.*, p. 21.

27. *Ibid.*, p. 26.

28. *Ibid.*, p. 24.

29. *Ibid.*, p. 25.

systems, and particularly of the historically specific capitalist world-economy that has existed for about four or five centuries now.

We must start with how one demonstrates the existence of a single division of labor. We can regard a division of labor as a grid which is substantially interdependent. Economic actors operate on some assumption (obviously seldom clear to any individual actor) that the totality of their essential needs – of sustenance, protection, and pleasure – will be met over a reasonable time span by a combination of their own productive activities and exchange in some form. The smallest grid that would substantially meet the expectations of the overwhelming majority of actors within those boundaries constitutes a single division of labor.

The reason why a small farming community whose only significant link to outsiders is the payment of annual tribute does not constitute such a single division of labor is that the assumptions of persons living in it concerning the provision of protection involve an ‘exchange’ with other parts of the world-empire.

This concept of a grid of exchange relationships assumes, however, a distinction between *essential* exchanges and what might be called ‘luxury’ exchanges. This is to be sure a distinction rooted in the social perceptions of the actors and hence in both their social organization and their culture. These perceptions can change. But this distinction is crucial if we are not to fall into the trap of identifying *every* exchange activity as evidence of the existence of a system. Members of a system (a minisystem or a world-system) can be linked in limited exchanges with elements located outside the system, in the ‘external arena’ of the system.

The form of such an exchange is very limited. Elements of the two systems can engage in an exchange of preciosities. That is, each can export to the other what is in *its* system socially defined as worth little in return for the import of what in its system is defined as worth much. This is not a mere pedantic definitional exercise, as the exchange of preciosities *between* world-systems can be extremely important in the historical evolution of a given world-system. The reason why this is so important is that in an exchange of preciosities, the importer is ‘reaping a windfall’ and not obtaining a profit. Both exchange partners can reap windfalls simultaneously but only one can obtain maximum profit,