

Structural Crisis in the World-System

*Where Do We Go from Here?*¹

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I have written repeatedly on the structural crisis in the world-system, most recently in *New Left Review* in 2010.² So, I shall just summarize my position, without arguing it in detail. I shall state my position as a set of premises. Not everyone agrees with these premises, which are my picture of where we are at the present time. On the basis of this picture, I propose to speak to the question, where do we go from here?

Premise No. 1 is that all systems—from the astronomical universe to the smallest physical phenomena, and including of course historical social systems—have lives. They come into existence at some point, which needs to be explained. They have “normal” lives, the rules of which need to be explicated. The functioning of their normal lives tends, over time, to move them far from equilibrium, at which point they enter a structural crisis, and in due course cease to exist. The functioning of their normal lives has to be analyzed in terms of cyclical rhythms and secular trends. The cyclical rhythms are sets of systemic fluctuations (upturns and downturns), in which the system regularly returns to equilibrium. However, it is a moving equilibrium since, at the end of a downturn, the system never returns to exactly where it was at the beginning of the upturn. This is because secular trends (slow, long-term increases in some systemic characteristic) push the curve slowly upward, as measured by some percentage of that characteristic in the system.

Eventually, the secular trends move the system too near its asymptotes, and the system is unable to continue its normal, regular, slow upward push. Thereupon, it begins to fluctuate wildly and repeatedly, leading to a bifurcation—that is, to a chaotic situation in which a stable equilibrium cannot be maintained. In such a chaotic situation, there are two quite divergent possibilities of recreating order out of chaos, or a new stable system. This period we may call

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the structural crisis of the system, and there is a system-wide battle—for historical social systems, a political battle—over which of two alternative possible outcomes will be collectively “chosen.”

Premise No. 2 is the description of the most important characteristics of how the capitalist world-economy has operated as a historical social system. The driving underlying objective of capitalists in a capitalist system is the *endless* accumulation of capital, wherever and however this accumulation may be achieved. Since such accumulation requires the appropriation of surplus value, this drive precipitates the class struggle.

Serious capital accumulation is only possible when one firm or a small group of firms has a quasi-monopoly of world-economy-wide production. Possessing such a quasi-monopoly depends on the active support of one or more states. We call such quasi-monopolies leading industries, and they foster considerable forward and backward linkages. Over time, however, all such quasi-monopolies are self-liquidating, since new producers (attracted by the very high level of profit) are able, in one way or another, to enter the market and reduce the degree of monopoly. Increased competition reduces sales prices but also reduces the level of profit and therefore the possibility of significant capital accumulation. We can call the relation of monopolized to competitive productive activities a core-periphery relationship.

The existence of a quasi-monopoly permits the expansion of the world-economy in terms of growth and allows for trickle-down benefits to large sectors of the world-system’s populations. The exhaustion of the quasi-monopoly leads to a system-wide stagnation that reduces the interest of capitalists in accumulation through productive enterprises. Erstwhile leading industries shift location to zones with lower costs of production, sacrificing increased transactions costs for lowered production costs (notably wage costs). The countries to which the industries are relocated consider this relocation to constitute “development,” but they are essentially the recipients of cast-off, erstwhile core-like operations. Meanwhile, unemployment grows in the zones in which the industries are relocated, and former trickle-down advantages are reversed, or partially reversed.

This cyclical process is often called Kondratieff long waves, and has in the past tended to last an average of fifty to sixty years for the entire cycle.³ Such cycles have been occurring over the past five hundred years. One systemic consequence is a constant slow shift in the location of the zones that are most favored economically, without, however, changing the proportion of zones that are so favored.

A second major cyclical rhythm of the capitalist world-economy is that involving the interstate system. All states within the world-system are theoretically sovereign but actually highly constrained by the processes of the interstate system. Some states are, however, stronger than others, meaning that they have greater control over internal fragmentation and outside intrusion. No state, nonetheless, is wholly sovereign.

In a system of multiple states, there are rather long cycles in which one state manages to become for a relatively brief time the hegemonic power. To be a hegemonic power is to achieve a quasi-monopoly of geopolitical power, in which the state in question is able to impose its rules, its order, on the system as a whole, in ways that favor the maximization of accumulation of capital to enterprises located within its borders.

Achieving the position of being the hegemonic power is not easy, and has only been truly achieved three times in the five-hundred-year history of the modern world-system—the United Provinces in the mid-seventeenth century, the United Kingdom in the mid-nineteenth century, and the United States in the mid-twentieth century.⁴

True hegemony has lasted, on average, only twenty-five years. Like quasi-monopolies of leading industries, quasi-monopolies of geopolitical power are self-liquidating. Other states improve their economic, and then their political and cultural, positions and become less willing to accept the “leadership” of the erstwhile hegemonic power.

Premise No. 3 is a reading of what has happened in the modern world-system from 1945 to 2010. I divide this into two periods: 1945 to circa 1970; circa 1970-2010. Once again, I summarize what I have argued at length previously. The period 1945-circa 1970 was one of great economic expansion in the world-economy, indeed by far the most expansive Kondratieff A-period in the history of the capitalist world-economy. When the quasi-monopolies were breached, the world-system entered a Kondratieff B-downturn in which it still finds itself. Predictably, capitalists since the 1970s have shifted their focus from the production arena to the financial arena. The world-system then entered the most extensive continuous series of speculative bubbles in the history of the modern world-system, with the greatest level of multiple indebtednesses.

The period 1945 to circa 1970 was also the period of full U.S. hegemony in the world-system. Once the United States had made a deal with the only other militarily strong state, the Soviet Union (a deal rhetorically called “Yalta”), U.S. hegemony was essentially unchallenged. But then

once the geopolitical quasi-monopoly was breached, the United States entered into a period of hegemonic decline, which has escalated from a slow decline into a precipitate one during the presidency of George W. Bush.⁵ U.S. hegemony was far more extensive and total than those of previous hegemonic powers, and its full decline promises to be the swiftest and most total.

There is one other element to put into the picture—the world-revolution of 1968, which occurred essentially between 1966 and 1970, and took place in all three major geopolitical zones of the world-system of the time: the pan-European world (the “West”), the Socialist bloc (the “East”), and the third world (the “South”).⁶

There were two common elements to these local political uprisings. The first was the condemnation not only of U.S. hegemony but also of Soviet “collusion” with the United States. The second was the rejection not only of dominant “centrist liberalism” but also of the fact that the traditional antisystemic movements (the “Old Left”) had essentially become avatars of centrist liberalism (as had mainstream conservative movements).⁷

While the actual uprisings of 1968 did not last very long, there were two main consequences in the political-ideological sphere. The first was that centrist liberalism ended its long reign (1848-1968) as the only legitimate ideological position, and both the radical left and the conservative right resumed their roles as autonomous ideological contestants in the world-system.

The second consequence, for the left, was the end of the legitimacy of the Old Left’s claim to be the prime national political actor on behalf of the left, to which all other movements had to subordinate themselves. The so-called forgotten peoples (women, ethnic/racial/religious “minorities,” “indigenous” nations, persons of non-heterosexual sexual orientations), as well as those concerned with ecological or peace issues, asserted their right to be considered prime actors on an equal level with the historical subjects of the traditional antisystemic movements. They rejected definitively the claim of the traditional movements to control their political activities and were successful in their new demand for autonomy. After 1968, the Old Left movements acceded to their political claim to equal current status for their demands, in place of deferring these demands to a post-revolutionary future.

Politically, what happened in the twenty-five years succeeding 1968 is that the reinvigorated world right asserted itself more effectively than the more fragmented world left. The world right, led by the

Reagan Republicans and the Thatcher Conservatives, transformed world discourse and political priorities.

The buzzword “globalization” replaced the previous buzzword “development.” The so-called Washington Consensus preached privatization of state productive enterprises, reduction of state expenditures, opening of the frontiers to uncontrolled entry of commodities and capital, and the orientation to production for export. The prime objectives were to reverse all the gains of the lower strata during the Kondratieff A-period. The world right sought to reduce all the major costs of production, to destroy the welfare state in all its versions, and to slow down the decline of U.S. power in the world-system.

Mrs. Thatcher coined the slogan, “There is no alternative” or TINA. To ensure that, in fact, there would be no alternative, the International Monetary Fund, backed by the U.S. Treasury, made as a condition of all financial assistance to countries with budgetary crises adherence to its strict neoliberal conditions.

These draconian tactics worked for about twenty years, bringing about the collapse of regimes led by the Old Left or the conversion of Old Left parties to adherence to the doctrine of the primacy of the market. But by the mid-1990s, there surfaced a significant degree of popular resistance to the Washington Consensus, whose three main moments were the neo-Zapatista uprising in Chiapas on January 1, 1994; the demonstrations at the Seattle meeting of the World Trade Organization in Seattle, which scuttled the attempt to enact worldwide constraints on intellectual property rights; and the founding of the World Social Forum in Porto Alegre in 2001.

The Asian debt crisis in 1997 and the collapse of the U.S. housing bubble in 2008 brought us to our current public discussion of the so-called financial crisis in the world-system, which is, in fact, nothing but the next-to-last bubble in the cascading series of debt crises since the 1970s.

Premise No. 4 is the description of what happens in a structural crisis, which the world-system is in at the present time, has been in at least since the 1970s, and shall continue to be in until probably circa 2050. The primary characteristic of a structural crisis is chaos. Chaos is not a situation of totally random happenings. It is a situation of rapid and constant fluctuations in all the parameters of the historical system. This includes not only the world-economy, the interstate system, and cultural-ideological currents, but also the availability of life resources, climatic conditions, and pandemics.

The constant and relatively rapid shifts in immediate conditions make even short-term calculations highly problematic—for the states, for enterprises, for social groups, and for households. The uncertainty makes producers very cautious about producing since it is far from certain that there are customers for their products. This is a vicious circle, since reduced production means reduced employment, which means fewer customers for producers. The uncertainty is compounded by the rapid shifts in currency exchange rates.

Market speculation is the best alternative for those who hold resources. But even speculation requires a level of short-term assurance that reduces risk to manageable proportions. As the degree of risk increases, speculation becomes more nearly a game of pure chance, in which there are occasional big winners and mainly big losers.

At the household level, the degree of uncertainty pushes popular opinion both to make demands for protection and protectionism and to search for scapegoats as well as true profiteers. Popular unrest determines the behavior of the political actors, pushing them into so-called extremist positions. The rise of extremism (“The center cannot hold”) pushes both national and world political situations toward gridlock.

There can be moments of respite for particular states or for the world-system as a whole, but these moments can also be rapidly undone. One of the elements undoing the respites are sharp rises in the costs of all the basic inputs both to production and daily life—energy, food, water, breathable air. In addition, the funds to prevent or at least reduce the damages of climate change and pandemics are insufficient.

Finally, the significant increase in the living standards of segments of the populations of the so-called BRIC countries (Brazil, Russia, India, China, and some others) actually compounds the problems of capital accumulation for capitalists by spreading out the surplus-value and thus reducing the amounts available for the thin upper crust of the world’s populations. The development of the so-called emerging economies actually compounds the strain on existing world resources and thereby also compounds the problem for these countries of effective demand, threatening their ability to maintain their economic growth of the last decade or two.

Davos versus Porto Alegre

All in all, it is not a pretty picture, and brings us to the political question, What can we do in this kind of situation? But first, who are

the actors in the political battle? In a structural crisis, the only certainty is that the existing system—the capitalist world-economy—cannot survive. What is impossible to know is what the successor system will be. One can envisage the battle as one between two groups that I have labeled “the spirit of Davos” and “the spirit of Porto Alegre.”

The objective of the two groups is totally opposite. The proponents of “the spirit of Davos” want a different system—one that is “non-capitalist” but still retains three essential features of the present system: hierarchy, exploitation, and polarization. The proponents of “the spirit of Porto Alegre” want the kind of system that has never existed heretofore, one that is relatively democratic and relatively egalitarian. I call these two positions “spirits” because there are no central organizations on either side of this struggle, and indeed, the proponents inside each current are deeply divided as to their strategy.

The proponents of the spirit of Davos are divided between those who proffer the iron fist, seeking to crush opponents at all levels, and those who wish to co-opt the proponents of transformation by fake signs of progress (such as “green capitalism” or “poverty reduction”).

There is division as well among the proponents of the spirit of Porto Alegre. There are those who want a strategy and a reconstructed world that is horizontal and decentralized in its organization, and insist on the rights of groups as well as of individuals as a permanent feature of a future world-system. And there are those who are seeking once again to create a new international that is vertical in its structure and homogenizing in its long-term objectives.

This is a confusing political picture, compounded by the fact that large parts of the political establishments and their reflections in the media, the punditry, and academia still insist on talking the language of a passing, momentary difficulty in an essentially equilibrated capitalist system. This creates a fog within which it is difficult to debate the real issues. Yet we must.

I think it is important to distinguish between short-term political action (the short term being the next three to five years at most) and medium-term action aimed at enabling the spirit of Porto Alegre to prevail in the battle for the new “order out of chaos” that will be collectively “chosen.”

In the short term, one consideration takes precedence over all others—to minimize the pain. The chaotic fluctuations wreak enormous pain on weaker states, weaker groups, weaker households in all parts of the world-system. The world’s governments, increasingly indebted,

increasingly lacking financial resources, are constantly making choices of all kinds. The struggle to guarantee that the cuts in revenue allocation fall least on the weakest and most on the strongest is a constant battle. It is a battle that, in the short run, requires left forces always to choose the so-called lesser evil, however distasteful that is. Of course, one can always debate what the lesser evil in a given situation is, but there is never an alternative to that choice in the short term. Otherwise, one maximizes rather than minimizes the pain.

The medium-term option is the exact opposite. There is no halfway house between the spirit of Davos and the spirit of Porto Alegre. There are no compromises. Either we shall have a significantly better world-system (one that is relatively democratic and relatively egalitarian) or we shall have one that is at least as bad and, quite possibly, far worse. The strategy for this choice is to mobilize support everywhere at every moment in every way. I see a medley of tactics that might move us in the right direction.

The first is to place great emphasis on serious intellectual analysis—not in a discussion conducted merely by intellectuals, but throughout the populations of the world. It must be a discussion animated by a large openness of spirit among all those who are inspired, however they define it, by the spirit of Porto Alegre. This seems anodyne to recommend. But the fact is that we have never really had this in the past, and without it we cannot hope to proceed, much less to prevail.

A second tactic is to reject categorically the goal of economic growth and replace it with the goal of maximum decommodification—what the movements of indigenous nations in the Americas are calling *buen vivir*. This means not only resisting the increased drive to commodification of the last thirty years—of education, of health structures, of the body, of water and air—but decommodifying as well agricultural and industrial production. How this is done is not immediately obvious, and what it entails we shall only know by experimenting widely with it.

A third approach is an effort to create local and regional self-sufficiencies, especially in the basic elements of life such as food and shelter. The globalization we want is not a single totally integrated division of labor but an “alterglobalization” of multiple autonomies that interconnect in seeking to create a “universal universalism” composed of the multiple universalisms that exist. We must undermine the provincial claims of particular universalisms to impose themselves on the rest of us.⁸

A fourth derives immediately from the importance of the autonomies. We must struggle immediately to end the existence of foreign military bases, by anyone, anywhere, for any reason. The United States has the widest collection of bases, but it is not the only state to have such bases. Of course, the reduction of bases will also enable us to reduce the amount of the world's resources we spend on military machines, equipment, and personnel, and permit the allocation of these resources for better uses.

A fifth tactic that goes along with local autonomies is the aggressive pursuit of ending the fundamental social inequalities of gender, race, ethnicity, religion, sexualities—and there are others. This is now a piety among the world left, but has it been a real priority for all of us? I do not think so.

And, of course, we cannot expect a better world-system circa 2050 if, in the interim, any of the three pending supercalamities occurs: irrevocable climate change, vast pandemics, and nuclear war.

Have I created a naive list of non-realizable tactics by the world left, the proponents of the spirit of Porto Alegre, for the next thirty to fifty years? I do not think so. The one encouraging feature about a systemic crisis is the degree to which it increases the viability of agency, of what we call “free will.” In a normally functioning historical system, even great social effort is limited in its effects because of the efficacy of the pressures to return to equilibrium. But when the system is far from equilibrium, every little input has great effect, and the totality of our inputs—made every nanosecond in every nanospace—can (*can*, not will) add up to enough to tilt the balance of the collective “choice” in the bifurcation.

Notes

1. This essay is based on a talk given at the conference, “Global Crisis: Rethinking Economy and Society,” University of Chicago, December 3-5, 2010, Session on “Understanding the Crisis Historically.”

2. Immanuel Wallerstein, “Structural Crises,” *New Left Review*, no. 62 (March-April 2010): 133-42. An earlier, more extensive discussion of this topic is to be found in *Utopistics, or, Historical Choices of the Twenty-first Century* (New York: The New Press, 1998), esp. chapter 2.

3. For a broader explanation of how Kondratieff cycles work, see the Prologue

to the new edition of Volume III of *The Modern World-System* (Berkeley, CA: University of California Press, 2011).

4. For a broader explication of how the hegemonic cycle works, see the Prologue to the new edition of Volume II of *The Modern World-System* (Berkeley, CA: University of California Press, 2011).

5. See my “Precipitate Decline: The Advent of Multipolarity,” *Harvard International Review* (Spring 2007): 54-59.

6. See my “1968, Revolution in the World-System: Theses and Queries,” *Theory and Society*, XVIII (July 4, 1989):

431-49; also with Giovanni Arrighi and Terence K. Hopkins, “1989, the Continuation of 1968,” *Review*, XV, no. 2 (Spring 1992): 221-42.

7. On the explanation of the ways in which radicals and conservatives became avatars of centrist liberalism, see “Centrist Liberalism as Ideology,” chapter 1, *The Modern World-System, IV: The Triumph of Centrist Liberalism, 1789-1914* (Berkeley, CA: University of California Press, 2011).

8. I have argued the case for this in *European Universalism: The Rhetoric of Power* (New York: The New Press, 2006).

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