"Globalization or The Age of Transition?
A Long-Term View of the Trajectory of the World-System"

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The 1990's have been deluged with a discourse about globalization. We are told by virtually everyone that we are now living, and for the first time, in an era of globalization. We are told that globalization has changed everything: the sovereignty of states has declined; everyone's ability to resist the rules of the market has disappeared; our possibility of cultural autonomy has been virtually annulled; and the stability of all our identities has come into serious question. This state of presumed globalization has been celebrated by some, and bemoaned by others.

This discourse is in fact a gigantic misreading of current reality - a deception imposed upon us by powerful groups, and even worse one that we have imposed upon ourselves, often despairingly. It is a discourse that leads us to ignore the real issues before us, and to misunderstand the historical crisis within which we find ourselves. We do indeed stand at a moment of transformation. But this is not that of an already established newly globalized world with clear rules. Rather we are located in an age of transition, transition not merely of a few backward countries who need to catch up with the spirit of globalization, but a transition in which the entire capitalist world-system will be transformed into something else. The future, far from being inevitable and one to which there is no alternative, is being determined in this transition that has an extremely uncertain outcome.

The processes that are usually meant when we speak of globalization are not in fact new at all. They have existed for some 500 years. The choice we have to make today is not whether or not to submit to these processes, but rather what to do when these processes crumble, as they are presently crumbling. One would think, reading most accounts, that "globalization" is something that came into existence in the 1990's - perhaps only upon the collapse of the Soviet Union, perhaps a few years earlier. The 1990's are not however a significant time marker to use if one wants to analyze what is going on. Rather, we can most fruitfully look at the present situation in two other time frameworks, the one going from 1945 to today, and the one going from circa 1450 to today.

The period 1945 to today is that of a typical Kondratieff cycle of the capitalist world-economy, which has had as always two parts: an A-phase or upward swing or economic expansion that went from 1945 to 1967/1973, and a B-phase or downward swing or economic contraction that has been going from 1967/1973 to today and probably will continue on for several more years. The period 1450 to today, by contrast, marks the life cycle of the capitalist world-economy, which had its period of genesis, its period of normal development, and now has entered into its period of terminal crisis. In order to comprehend the present situation, we need to distinguish between these two social times, and the empirical evidence for each of them.

In many ways, the Kondratieff cycle in which we find ourselves is the easier of the two social times to understand, since it resembles all previous Kondratieff cycles, which have been much studied. The A-period of the present Kondratieff was what the French aptly called "les trente glorieuses." It coincided with the high point of United States hegemony in the world-system, and occurred within the framework of a world order that the U.S. established after 1945. The U.S., as we know, emerged from the Second World War as the only major industrial power whose industries were intact and whose territories had not been badly damaged by wartime destruction. U.S. industries had of course been perfecting their efficiencies for over a century. This long-term economic development combined with the literal collapse of the economic structures of the other major loci of world production gave the U.S. a productivity edge that was enormous, at least for a time, and made it easy for U.S. products to dominate the world market. It made possible furthermore the largest expansion of both value and real production in the history of the capitalist world-economy, creating simultaneously great wealth and great social strain in the world social system.
As of 1945, the U.S. had two major problems. It needed a relatively stable world order in which to profit from its economic advantages. And it needed to reestablish some effective demand in the rest of the world, if it expected to have customers for its flourishing productive enterprises. In the period 1945-1955, the U.S. was able to solve both these problems without too much difficulty. The problem of world order was resolved in two parts. On the one hand, there was the establishment of a set of interstate institutions - notably, the United Nations, the IMF, and the World Bank - , all of which the U.S. was able to control politically, and which provided the formal framework of order. And on the other hand, and more importantly, the U.S. came to an arrangement with the only other serious military power in the post-1945 world, the U.S.S.R. - an arrangement to which we have come to refer by the code-name "Yalta."

Yalta was an agreement, worked out in detail over a period of a decade, that basically had three clauses. First, the world was to be divided de facto into a U.S. zone (most of the world) and a Soviet zone (the rest), the dividing line to be where their respective troops were located when the Second World War ended, and both sides would agree to remain militarily within these boundaries. Secondly, the Soviet zone could, if it wished, pursue collectively a mercantilist policy, that is, reduce to a minimum trade transactions with the U.S. zone until it strengthened its own productive machinery, but this involved however as a counterpart that the U.S. would not be expected to contribute to the economic reconstruction of this zone. And thirdly, both sides were free, indeed encouraged, to engage in vigorous, reciprocally hostile rhetoric, whose chief function seemed to be to consolidate the political control of the U.S. and the U.S.S.R. over their respective zones. The Berlin Blockade and the Korean War, both of which ended in truces reaffirming the original lines of partition, were the final capstones of this global agreement.

The problem of creating enough world effective demand for U.S. production was solved by means of the Marshall Plan for western Europe and equivalent economic assistance to Japan, the latter occurring particularly after the outbreak of the Korean War and on the excuse of the war. The U.S. took advantage of the Cold War tensions to reinforce these economic links with military ties - NATO plus the U.S.-Japan Defence Pact - which ensured that these zones would follow faithfully the political lead of the U.S. on all major issues in the international arena.

To be sure, not everyone was happy with these arrangements. There were after all those left out of the benefits of Yalta - the Third World as a whole, the least favored groups within the Western world, and the Soviet satellite states of east/central Europe who endured their yoke but did not celebrate it. Those left out erupted with some regularity, and on occasion with particular force: China in 1945-48, Vietnam, Algeria, Hungary in 1956, Cuba, southern Africa. These successive eruptions posed problems for the U.S. world order, and indeed for the Soviet Union as well. But they were like punches to the stomach of a strong boxer; the punches could be absorbed, and they were. The big exception was the Vietnam war, which began to bleed the United States, both in terms of finance and lives lost, and therefore in terms of U.S. national morale.

But the biggest blow to the U.S., the hardest to absorb, was the economic recovery and then flourishing of western Europe and Japan. By the 1960's the productivity gap between these countries and the U.S. had been more or less eliminated. The west European countries and Japan recovered control over their national markets, and began to compete effectively with U.S. products in the markets of third countries. They even began to be competitive within the U.S. home market. The automaticity of U.S. economic advantage had thus largely disappeared by the late 1960's.

The increase in world production resulting from the recovery and expansion of west European/Japanese production led to a glut on the world market and a sharp decline in the profitability of many of the principal industrial sectors, such as steel, automobiles, and electronics. The consequent downturn in the world-economy was marked by two major events: the necessity for the United States to go off the gold standard, and the world revolution of 1968. The first was caused by the fact that the politico-military expenses of enforcing U.S. hegemony plus the lessened competitiveness in world markets turned out to be quite expensive and thus drained the U.S. financial surplus. The U.S. had to begin to work hard politically to maintain the economic advantages it had had so easily in the A-period, and began by pulling in its monetary belt somewhat.

The world revolution of 1968 was triggered by the discontents of all those who had been left out in the well-organized world order of U.S. hegemony. The details of the 1968 uprisings were different in the various arenas of the world-system, but such uprisings did occur everywhere: in addition to the obvious 1968 events in the Western world and Japan, usually noted, I include the cultural revolution in China beginning in 1966 and the turn to "socialism with a human face" in Czechoslovakia in 1968, as well as...
the diverse happenings in Mexico, Senegal, Tunisia, India, and many other countries of the Third World. In all of them, however different the local situation, there was a recurrent double theme. The first was opposition to U.S. hegemony, and to Soviet collusion with that hegemony (the Yalta arrangements between what the Chinese called the superpowers). And the second was disillusionment with the Old Left in all its forms (Communist, Social-Democrat, movements of national liberation). The latter disillusionment was the unpredicted consequence of the very success of these movements. All these movements had constructed in the late nineteenth century an identical two-step strategy of struggle - first conquer state power; then transform society. The fact is that, in the period of U.S. hegemony, paradoxically (or perhaps not so paradoxically) the movements of the Old Left had indeed come to power almost everywhere: as Communist parties in the socialist countries (running from the Elbe to the Yalu); as Social-Democratic parties (or their equivalents) in the pan-European world (western Europe, North America, and Australasia); and as national liberation movements in the Third World (or equivalently as populist movements in Latin America). They had come to power but they had not been able to achieve the second step they had envisaged, the transformation of society, or so the revolutionaries of 1968 believed. The movements in power were seen as having failed to deliver on their historic promises.

It is just at this point that the world-economy entered into its long period of stagnation. The crucial measure of a stagnation in the world-economy is that profits from production drop considerably from the levels at which they were in the preceding A-period. This has a series of clear consequences. Persons with capital shift their primary locus of seeking profit from the productive sphere to the financial sphere. Secondly, there is significantly increased unemployment worldwide. Thirdly, there occur significant shifts of loci of production from higher-wage areas to lower-wage areas (what used to be called the phenomenon of "runaway factories"). This trio of consequences can be seen to have occurred worldwide since circa 1970. We have had endless escalation of speculative activity, which is of course very profitable for a relatively small group of people, at least until the point when the bubble bursts. We have had very large shifts of production from North America, western Europe, and even Japan to other parts of the world-system, which have consequently claimed that they were "industrializing" and therefore developing. Another way of characterizing what happened is to say that these semiperipheral countries were the recipient of what were now less profitable industries. And we have had a rise in unemployment everywhere - in most countries of the South to be sure, but in the North as well. To be sure, unemployment rates do not have to be uniform in all countries. Far from it! Indeed, one of the major activities of the governments of all states during this period has been to try to shift the unemployment burden to other states, but such shifts can be only momentarily successful.

Let us rapidly review how this scenario has been played out.

The most striking economic happening of the early 1970's, now almost forgotten but at the time one that absorbed the newspaper headlines of the entire world, was the OPEC oil price rise. All of a sudden, the major oil-producing states created in effect a serious cartel and raised the price of oil on the world market considerably. Originally, this was hailed by some as an intelligent political move by Third World states against the principal states of the North. But observe right away something strange. The decision of OPEC, a decision that had been advocated for a long time by the so-called radical states such as Libya and Algeria, was only made possible now by the suddenly-acquired enthusiasm of the two closest friends of the U.S. in the Middle East, Saudi Arabia and Iran under the Shah. How curious!

The effect of the oil price rise was immediate. It raised prices of virtually all other products, but unevenly. It led to a reduction in production of many commodities, useful given the glut. Countries which relied on income from the export of raw materials saw their income from this source go down at the very moment that their imports went up in price; hence acute balance of payments difficulties. The increased income from the sale of oil went first of all to oil-producing countries, and of course to the so-called Seven Sisters, the great transnational megastructures in the petroleum industry. The oil-producing countries suddenly had a monetary surplus. Some of it went to increased expenditures on their part, largely imports from the North, which helped restore demand in the latter countries. But another part went into bank accounts, largely in the U.S. and Germany. The increased funds in the banks had to be lent to someone. These banks aggressively peddled loans to the finance ministers of poorer countries suffering from balance of payment difficulties, acute unemployment, and consequent internal unrest. These countries borrowed extensively, but then found it difficult to repay the loans, which thus cumulated until debt payments rose to intolerable levels. It was just at this point that the Japanese competitive advantage suddenly blossomed, although western Europe was also not doing badly, whereas the U.S. was suffering from so-called stagflation.

In the meantime, the U.S. sought to maintain its political hold on western Europe and Japan by erecting a
I. Wallerstein, "Globalization or The Age of Transition? A Long-Te..."

If the 1970's thus ended with a bang, the 1980's was not far behind. The loans to the poorer states had gotten out of hand, and the debt crisis began. It began, not in 1982 as usually argued when Mexico announced it could not repay its debt, but in 1980, when the Gieriek government of Poland decided to try to meet its debt problems by squeezing its working class, a move that met spectacular resistance with the emergence of SolidarnoNf in GdaNsk. The events in Poland marked the death knell of the Soviet satellite system in east/central Europe, a key linchpin in the Yalta arrangements, although it would still take a decade for the disintegration to be fully accomplished. This was the same moment that the U.S.S.R. made the crucial tactical error of going into Afghanistan, and would thus bleed itself in the same way the U.S. had done in Vietnam, with less social resilience to permit it to survive the consequences.

The 1980's can be summed up in a few code words. The first was the "debt crisis," which brought down not only most of Latin America (not to speak of Africa) but also east/central Europe. The debt crisis revealed the degree to which the economic realities of east/central Europe were not essentially different from those of the Third World. The second was the "flying geese" of East Asia - Japan's amazing economic romp through the world-economy, followed by and dragging along first the four dragons (South Korea, Taiwan, Hong Kong, and Singapore), and eventually southeast Asia and mainland China as well. The third was the "military Keynesianism" of the Reagan administration which overcame U.S. recession and high unemployment by enormous government borrowing, in particular from Japan, on the excuse of the reinforcement of military structures, and whose single biggest consequence was the creation of an incredible U.S. national debt. The fourth was the flourishing on the U.S. stock exchange of "junk bonds," which essentially meant enormous borrowing on the part of large corporations in order to make short-run speculative profits at the expense of productive machinery, and causing in turn so-called "downsizing," which meant forcing middle-income strata into lower-paying jobs in the economy.

In the 1980's, the whole world-economy looked in bad shape except for East Asia, although that did not prevent financial speculators from making astounding profits. And along with this, and for a time, a certain stratum of the upper middle class, the so-called yuppies, prospered, causing inflationary pressures in the luxury market and in real estate worldwide. But most of the world suffered loss of income and deflation through the collapse of currencies. In the wake of these worldwide difficulties, the Soviet Union came apart. Or rather, Gorbachev made a spectacular attempt to prevent this by throwing ballast overboard. He unilaterally disarmed, forcing U.S. reciprocity. He abandoned Afghanistan and, in effect, east/central Europe. And he sought cautiously to reform the internal political system. His downfall was due to the fact that he grievously underestimated the emergent forces of nationalism within the Soviet Union itself, and most of all that of Russian nationalism.

The tensile strength of the Yalta agreements came undone, as much because of U.S. as because of Soviet weakness. Neither the U.S. nor Gorbachev wanted the arrangements to come apart. But the long stagnation in the world-economy had undone them. And Humpty Dumpty could not be put together again.

Since 1970 the world-economy had gone through three debt cycles, which were all attempts to maintain the spending power of the world-system: the oil money loans to the Third World and to the socialist countries; the borrowing of the U.S. government; and the borrowing of the large corporations. Each artificially raised prices in some areas beyond their market value. Each led to great difficulties about repayment, handled by various kinds of pseudo-bankruptcies. Finally, in 1990, the Japanese real estate bubble burst, reducing paper value enormously. The last bulwark of productive economic strength in the world-economy had come under assault. This was to be the story of the 1990's.

The U.S. political position now came under severe attack, not despite but precisely because of the
collapse of the Soviet Union. Saddam Hussein decided to take advantage of the post-Yalta reality, directly challenging the United States militarily by invading Kuwait. He was able to do this because the U.S.S.R. was no longer in a position to restrain him. He did this because, in the short run, it promised to solve the problems of Iraq's debts (heavily owed to Kuwait) and increase its oil income. And he did this because he hoped to use this invasion in the middle run as the basis for a military unification of the Arab world under his aegis, a unification he saw as a necessary step in a direct military challenge to the North in general, and to the United States in particular.

There were two possibilities for Saddam, that the U.S. would back down or that it would not. If the first occurred, his victory would be immediate. But he counted on the fact that, even if the second occurred, he would gain over the longer run. Thus far, history has not proven his calculation wrong. The U.S. of course did mobilize the necessary military force to drive the Iraqis out of Kuwait and to place Iraq under severe international constraints after that. But the price for the U.S. was high. It demonstrated that it could not afford financially to conduct such operations. The entire military bill of the U.S. was borne by Saudi Arabia, Kuwait, Japan, and Germany. And it demonstrated that it could not remove Saddam inside Iraq because the U.S. was unwilling to send troops into the interior of Iraq. The two constraints - financial and military - of the U.S. were both dictated by U.S. public opinion, which was ready to applaud nationalist victory, provided it cost no money and no lives. This is the basic explanation of how Saddam has been able to survive ever since and why the efforts to limit Iraq's maintenance of weapons of mass destruction have been so ineffectual.

In the 1990's, western Europe made the essential step forward in its unification, with the creation of the euro, and thus achieved the financial underpinning necessary to pull away from its close political links to the United States. This will no doubt lead in the coming decade to the creation of a real European army, and thereby a military disjunction from the U.S. The disintegration of the Balkan zone has demonstrated clearly the very limited effectiveness of NATO as a political force, and has managed to strain even further U.S.-western European relations.

And in the midst of all this came the so-called Asian crisis. The financial collapse of the southeast Asian states and the four dragons was followed by the disastrous interference of the IMF, accentuating both the economic and political consequences. What we should note essentially about this collapse is that deflation has at last hit East Asia and its derivative zone, followed as we know by Russia and Brazil. The world holds its breath, waiting for it to hit the United States. We shall then enter into the last subphase of this Kondratieff downturn.

After that, will we at last seen a new Kondratieff A-phase? Yes, assuredly, but one within a secular deflation as in the seventeenth and nineteenth centuries, and not one within a secular inflation as in the sixteenth, eighteenth, and twentieth centuries. But we shall also see something different. We must now turn our attention away from the Kondratieff cycles and onto the long-term development of the modern world-system as an historical system.

The capitalist world-economy has long maintained itself, as any system does, by mechanisms that restore equilibrium every time its processes move away from it. The equilibrium is never restored immediately, but only after a sufficient deviation from the norm occurs, and of course it never is restored perfectly. Because it requires that deviations go a certain distance before they trigger countermovements, the result is that the capitalist world-economy, like any other system, has cyclical rhythms of multiple kinds. We have been discussing one of the principal ones it has developed, which are called Kondratieff cycles. They are not the only ones.

The equilibrium is never restored to the same point because the countermovements require some change in the underlying parameters of the system. Hence the equilibrium is always a moving equilibrium, and therefore the system has secular trends. It is this combination of cyclical rhythms and secular trends that define a system that is functioning "normally." However, secular trends cannot go on forever, because they hit asymptotes. Once this happens, it is no longer possible for the cyclical rhythms to bring the system back into equilibrium, and this is when a system gets into trouble. It then enters into its terminal crisis, and bifurcates - that is, it finds itself before two (or more) alternative routes to a new structure, with a new equilibrium, new cyclical rhythms and new secular trends. But which of the two alternative routes the system will take, that is, what kind of new system will be established, is intrinsically not possible to determine in advance, since it is a function of an infinity of particular choices that are not systemically constrained. This is what is happening now in the capitalist world-economy.

To appreciate this, we must look at the major secular trends that are approaching their asymptotes. Each of them is thereby creating limits to the accumulation of capital. But since the endless accumulation of
capital is the defining feature of capitalism as an historical system, the triple pressure is tending to make
unfeasible the primary motor of the system and hence are creating a structural crisis.

The first secular trend is the real wage level as a percentage of costs of production, calculated as an
average throughout the whole world-economy. Obviously the lower this is, the higher the profit level,
and vice versa. What determines the real wage level? Quite clearly, the answer is the rapport de forces
between the labor force in a given zone and sector of the world-economy and the employers of such
labor. This rapport de forces is a function primarily of the political strength of the two groups in what
we call the class struggle. When one speaks of the market as the constraining element in determining
the wage levels, it is deceptive, since the market value of labor is a function of the multiple rapports de force
in the various zones of the world-economy. These varying political strengths are in turn a function of the
efficacy of political organization in one form or another of given work forces and the real alternatives of
the employers in terms of relocating their operations. Both of these factors constantly change.

What one can say is that, over time, in any given geographical/sectoral locality, the work force will seek
to create some form of syndical organization and action that will enable them to bargain more effectively,
either directly with the employer or indirectly via their influence on the relevant political machinery.
While no doubt such political strength can be set back in given localities through political
counteroffensives of capitalist groups, it is also true that the long-run "democratization" of the political
machineries throughout the history of the modern world-system have served to make the curve of the
political strength of the working classes an upward one over the longue durée in virtually all states in the
world-system.

The principal mechanism by which capitalists worldwide have been able to limit this political pressure
has been the relocation of given sectors of production to other zones of the world-economy which are on
the average lower-wage areas. This is a difficult operation politically as well as one dependent on taking
skills levels into the calculations of eventual profits. Hence, it has tended to be done primarily during
Kondratieff B-periods, as we suggested above. Nonetheless, it has been done repeatedly during the
historical development of the modern world-system. But why are the areas into which the sectors are
being relocated lower-wage areas? It solves nothing to say that this is the consequence of "historical"
wage levels. Whence this history?

The primary source of truly low-wage labor has always been newly-recruited migrants from rural areas,
often entering the wage-labor market for the first time. They are ready to accept what are by world
standards low wages for two reasons. The net income they are receiving is in fact higher than the net
income they previously received in their rural activity. And they are socially uprooted, and consequently
politically somewhat in disarray, and unable therefore to defend well their interests. Both explanations
wear out over time, certainly after say thirty years, and such workers begin to exert pressures on wage
levels parallel to those of workers in other regions of the world-economy. In this case, the major option
for capitalists is further relocation.

As one can see, such a mode of conducting the class struggle is dependent on there always being new
areas of the world-system into which to relocate, and this is dependent on the existence of a significant
rural sector not yet engaged in the wage-labor market. But the latter is precisely what has been
diminishing as a secular trend. The deruralization of the world is on a fast upward curve. It has grown
continuously over 500 years, but most dramatically since 1945. It is quite possible to foresee that it will
have largely disappeared in another 25 years. Once the whole world-system is deruralized, the only
option for capitalists is to pursue the class struggles where they are presently located. And here the odds
are against them. Even with the increased polarization of real income not only in the world-system as a
whole but within the wealthiest countries, the political and market sophistication of the lower strata
continues to grow. Even where there are large numbers of persons who are technically unemployed and
deriving their income, such as it is, from the informal economy, the real alternatives available to workers
located in the barrios and favelas of the world-system are such that they are in a position to demand
reasonable wage-levels in order to enter the formal wage-economy. The net result of all of this is a
serious pressure on profit levels that will increase over time.

The second secular trend disturbing to capitalists is rather different. It has to do not with the cost of
wage-labor but with the cost of material inputs. What is involved in the cost of inputs? It is not only the
price at which they are bought from a different firm but also the cost of treating them. Now while the
cost of purchase is normally borne entirely by the firm that will eventually get the profits, the costs of
treating the materials is often partially borne by others. For example, if in treating the raw materials, there
is toxic or cumbersome waste, part of the cost involved is getting rid of such waste, and if toxic, in a
safe manner. Firms of course desire to minimize these costs of disposal. One way they can do thus, a
way very widely practiced, is by placing the waste somewhere away from the factory site after minimal
detoxification, for example, by dumping chemical toxins into a stream. This is called by economists
"externalizing the costs." Of course, this is not the end of the costs of disposal. To stick to the example,
if toxins are dumped into a stream, this may poison the stream, and eventually (perhaps decades later)
there will be damage to people or to other matter (at costs that are real, if difficult to calculate). And there
may be a social decision to clean up the toxins, in which case the body that undertakes the clean-up,
often the state, is bearing the cost. Another mode of reducing costs is to utilize raw materials, but not to
provide for (that is, pay for) their renewal, a problem especially true of organic matter. Such
externalization of costs significantly reduces the costs of raw materials to given producers and hence
increases the margin of profit.

The problem here is akin to that with relocation as a solution to wage costs. It works as long as there are
previously unused areas in which to dump waste. But eventually there are no more streams to pollute,
or trees to cut down - or at least, there are no more without serious immediate consequences for the
health of the biosphere. This is the situation in which we find ourselves today after 500 years of such
practices, which is why today we have an ecology movement that has been growing rapidly throughout
the world.

What can be done? Well, the governments of the world can undertake what amounts to a vast clean-up
campaign and a vast campaign of organic renewal. The problem is the cost of an effective operation,
which is enormous, and thus must be paid by someone via some form of taxes. There are only two
someone's: either the firms that are considered to have been the perpetrators of the waste, or the rest of
us. If it is the former, the pressure on the profit margins will be impressively high. If it is the latter, the
tax burdens will mount significantly, a problem to which we are coming. Furthermore, there is not much
point in cleanup and organic renewal if the practices remain as at present, since it would amount to
cleaning an Augean stable. Hence, the logical inference is to require the total internalization of all costs.
This however would add still further to the pressure on the profits of individual firms. I do not see any
plausible solution for this social dilemma within the framework of a capitalist world-economy, and
hence I suggest that this is the second structural pressure on the accumulation of capital.

The third pressure lies in the realm of taxation. Taxation is of course a payment for social services, and
therefore is accepted as a reasonable cost of production, provided it is not too high. Now what has
determined the level of taxation? To be sure, there has been the constant demand of security (the military,
the police). This has, as we know, steadily risen over the centuries because of the increasing relative
costs of the means of security, the scope of military actions, and the perceived need of police actions.
The second steady rise has been in the size of the civil bureaucracies of the world, a function first of all
of the need to collect taxes and second of all to perform the expanding functions of the modern states.

The major expanding function has been in providing for certain popular demands. This has not been an
optional expense. The growth of these provisions have been a principal means of ensuring relative
political stability in response to growing discontents of the lower strata concerning the increasing
polarization of real income, which has been a steady feature of the world-system. Social welfare efforts
by governments have been the pay-off utilized to tame the "dangerous classes," that is, to keep the class
struggle within limited bounds.

We call the response to these popular demands "democratization," and it has also been a very real secular
trend. There are three principal varieties of such popular demands: educational institutions, health
facilities, and guarantees of income across the lifetime of individuals (especially, unemployment
insurance and social security for the aged). There are two things to be noted about such demands. They
have been made in more and more zones of the world-system, and are today nearly universal. And the
levels of the demands have risen steadily within each country, with no clear limit in sight.

This has meant, has had to mean, steadily rising tax rates in virtually every country, with at most
occasional slight reductions. But, of course, at a certain point, such redistributive taxation reaches levels
where it interferes seriously with the possibility of accumulating capital. Hence the reaction today to
what is perceived as the "fiscal crises of the states" is for capitalists to demand a rollback, and to seek
popular support on the grounds that individual taxation is also rising sharply. The irony is that while
there is often popular support for limiting taxes, there is zero popular support for cutting back welfare
provisions (either of education or of health or of income guarantees). Indeed, at the very time that there
are clamors about high taxation, the levels of popular demand on government services are growing. So
here too we have a structural pressure on the accumulation of capital.

So there we are - three major structural pressures on the ability of capitalists to accumulate capital, the
result of secular trends, which continuously ratchet upward. This crisis, not in growth but in capital accumulation, is further complicated by a different phenomenon, the loss of legitimacy of the state structures. States are a crucial element in the ability of capitalists to accumulate capital. States make possible quasi-monopolies, which are the only source of significant profit levels. States act to tame the "dangerous classes," both by repression and by appeasement. States are the principal source of ideologies that persuade the mass of the population to be relatively patient.

The major argument for patience has been the inevitability of reform. Things will get better - if not immediately, then for one's children and grandchildren. A more prosperous, more egalitarian world is on the horizon. This is of course official liberal ideology, and has dominated the geoculture since the nineteenth century. But it has also been the theme of all the antisystemic movements, not least those which have proclaimed themselves most revolutionary. These movements have particularly emphasized this theme when they occupied state power. They have said to their own working classes that they were "developing" their economies, and these working classes must be patient while the fruits of economic growth eventually improve their life situations. They have preached patience about standards of living but also about the absence of political equality.

As long as such antisystemic movements (whether they were Communist, or Social-Democrat, or national liberation movements) were in their mobilizing phase against inegalitarian, militaristic, dictatorial, fascist, colonial, or even simply conservative regimes, this theme was muted and did not interfere with the ability of antisystemic movements to secure extensive popular support. Once however such movements came to power, as they did extensively throughout the world during the period 1945-1970 (the Kondratieff-A period of which we have been speaking), they were put to the test. And worldwide they have been found wanting. The record of post-"revolutionary" regimes has been that they have not been able to reduce worldwide or even internal polarization to any significant degree nor have they been able to institute serious internal political equality. They have no doubt accomplished many reforms, but they promised far more than reforms. And because the world-system has remained a capitalist world-economy, the regimes outside the core zone have been structurally unable to "catch up" with the wealthy countries.

This is not merely a matter of academic analysis. The result of these realities has been a monumental disillusionment with the antisystemic movements. To the extent that they retain support, it is as most as a pis aller, as a reformist group better perhaps than a more rightwing alternative, but certainly not as a harbinger of the new society. The major result has been a massive disinvestment in state structures. The masses of the world, having turned towards the states as agents of transformation, have now returned to a more fundamental skepticism about the ability of the states to promote transformation, or even to maintain social order.

This worldwide upsurge of anti-statism has two immediate consequences. One is that social fears have escalated, and people everywhere are taking back from the states the role of providing for their own security. But of course this institutes a negative spiral. The more they do so the more there is chaotic violence, and the more there is chaotic violence, the more the states find themselves unable to handle the situation, and therefore the more people disinvest the state, which further weakens the ability of the states to limit the spiral. We have entered into this kind of spiral at varying paces in the various countries of the world-system, but at a growing pace virtually everywhere.

The second consequence is one for the capitalists. States that are delegitimated find it far more difficult to perform their function of guaranteeing the quasi-monopolies capitalists need, not to speak of their ability to tame the "dangerous classes." Thus, at the very moment that capitalists are faced with three structural squeezes on the global rates of profit, and hence on their ability to accumulate capital, they find that the states are less able than before to help them resolve these dilemmas.

Thus it is that we can say that the capitalist world-economy has now entered its terminal crisis, a crisis that may last up to fifty years. The real question before us is what will happen during this crisis, this transition from the present world-system to some other kind of historical system or systems. Analytically, the key question is the relation between the Kondratieff cycles I first described and the systemic crisis of which I have been talking now. Politically, there is the question of what kind of social action is possible and desirable during a systemic transition.

Kondratieff cycles are part of the "normal" functioning of the capitalist world-economy. Such so-called normal functioning does not cease because the system has entered into a systemic crisis. The various mechanisms that account for the behavior of a capitalist system are still in place. When the present B-phase has exhausted itself, we shall undoubtedly have a new A-phase. However, the systemic crisis
interferes seriously with the trajectory. It is a bit as though one tried to drive a car downhill with a motor still intact but with a damaged body and wheels. The car would no doubt roll forward but surely not in the straight line one would have previously expected nor with the same guarantees that the brakes would work efficiently. How it would behave would become rather difficult to assess in advance. Supplying more gas to the motor might have unexpected consequences. The car could crash.

Schumpeter accustomed us a long time ago to the idea that capitalism would not collapse because of its failures but because of its successes. We have tried to indicate here how the successes (modes of counteracting downturns in the world-economy, modes of maximizing the accumulation of capital) have, over time, created structural limits to the very accumulation of capital they were intended to ensure. This is concrete empirical evidence of the Schumpeterian assumption. No doubt, to continue the analogy of the damaged automobile, a wise chauffeur might drive quite slowly under these difficult conditions. But there is no wise chauffeur in the capitalist world-economy. No individual or group has the power to make the necessary decisions alone. And the very fact that these decisions are being made by a large number of actors, operating separately and each in his/her own immediate interests, virtually ensures that the car will not slow down. Probably, it will start to go faster and faster.

Consequently, what we may expect is recklessness. As the world-economy enters into a new period of expansion, it will thereby exacerbate the very conditions which have led it into a terminal crisis. In technical terms, the fluctuations will get wilder and wilder, or more "chaotic," and the direction in which the trajectory is moving ever more uncertain, as the route takes more and more zigzags with every greater rapidity. At the same time, we may expect the degree of collective and individual security to decrease, perhaps vertiginously, as the state structures lose more and more legitimacy. And this will no doubt increase the amount of day-by-day violence in the world-system. This will be frightening to most people, as well it should be.

Politically, this situation will be one of great confusion, since the standard political analyses we have developed to understand the modern world-system will seem not to apply or will seem to be outdated. This will not really be true. But these analyses will apply primarily to the ongoing processes of the existing world-system and not to the reality of a transition. This is why it is so important to be clear on the distinction between the two and on the ways in which this double reality will be playing itself out.

In terms of the ongoing reality, it will be almost impossible for political action to affect it very much. To return to the analogy of the damaged car going downhill, we may correctly feel somewhat helpless, and the most we may be able to do is to try to maneuver so as to minimize immediate harm to ourselves. But in terms of the transition as a whole, the opposite is true. Precisely because its outcome is unpredictable, precisely because its fluctuations are so wild, it will be true that even the slightest political action will have great consequences. I like to think of this as the moment in historical time when free will truly comes into play.

We can think of this long transition as one enormous political struggle between two large camps: the camp of all those who wish to retain the privileges of the existing inegalitarian system, albeit in different forms, perhaps vastly different forms; and the camp of all those who would like to see the creation of a new historical system that will be significantly more democratic and more egalitarian. However, we cannot expect that the members of the first camp will present themselves in the guise that I used to describe them. They will assert that they are modernizers, new democrats, advocates of freedom, and progressive. They may even claim to be revolutionary. The key is not in the rhetoric but in the substantive reality of what is being proposed.

The outcome of the political struggle will be one part the result of who is able to mobilize whom, but it will also be in large part the degree to which who is able to analyze better what is going on and what are the real historical alternatives with which we are collectively faced. That is to say, it is a moment at which we need to unify knowledge, imagination, and praxis. Or else we risk saying, a century from now, plus ça change, plus c'est la même chose. The outcome is, I insist, intrinsically uncertain, and therefore precisely open to human intervention and creativity.