Hartmut Elsenhans

The Empowerment of Labor and the Transition to Capitalism

In the following contribution I want to show that the choice of economic model has important implications for the internal and external dynamics to be attributed to a capitalist system. How a capitalist world system is seen to operate is also the result of the economic dynamics thought to underlie it. With this in mind, I would like to present a model I have been working on for three decades now. I will describe some of its characteristics, and discuss some of the more relevant empirical aspects in order to demonstrate the plausibility of my underlying assumptions.

One of the characteristics of this system is its limited expansionism. I therefore attach great importance to the characteristics of regions not yet absorbed into the capitalist world system. By generalizing my model of growth and adapting it to noncapitalist structures, I have developed a theory of the technical and political blockages hindering the transition to capitalism.

The interaction between a model of capitalist systems marked by limited expansionism and the blockage of noncapitalist systems in their transition to capitalism lends itself to a theory of the capitalist world system where capitalism dominates the center without being able to fully transform its periphery. I also propose that a theory of modern globalization can be deduced from the limited expansionism of capitalist systems. According to this theory, globalization in its present-day form would appear to be only an episode in the unfolding of our current capitalist world system – globalization based on increased international transactions which, at least for the time being, are too weak to transfer capitalism to every periphery of the global system.

The illustration of my approach to the conditions of a capitalist system with basically limited expansionary tendencies suggests certain elements of a theory of history.

Capitalism requires rising mass incomes and expanding mass markets. Capitalism does not depend on capital accumulation, but on the capacity of labor to reap the benefits of rising income through an increase in labor incomes.

In his critique of capitalist crisis resulting from the rising organic composition of capital, Bortkiewicz (1907) introduced the condition of a minimum productivity increase for any new technology, i.e., that a new technology can be introduced in a capitalist system only if it lowers unit

COMPARATIV 15 (2005), Heft 5/6, S. 50-79.

be introduced in a capitalist system only if it lowers unit costs. Any increase of capital per worker has to increase production more than the increase in total factors of production employed. With a stable supply of able-bodied workers no full employment solution can be had simply by increasing the capital employed without raising wages. With stagnant real wages and a stable supply of able-bodied workers, the process of capital accumulation is blocked.

The condition of a reduction of unit costs is removed if real wages can rise. Not all technologies serve to produce known products or products that replace known ones. The Bortkiewicz criterion does not apply in such cases. Some technologies produce products serving new needs. The unit costs for these products do not compare directly with those for products serving known needs. They can be sold at any price as long as new needs are satisfied, and can require heavy outlays of physical capital. Their share in total production may increase, allowing Marx's organic composition of capital to rise – in standard economic jargon, allowing the capital-output ratio to increase. If real wages increase at all, their rate of increase may be considerably lower than the rate of increase in total output in line with the development of the capital-output ratio.

The development of the profit rate is not determined by the Bortkiewicz criterion, even in its modified form. With any general rate of profit, a new technology is competitive in the case of known products if it reduces unit costs, in the case of new products if the price is low enough to trigger off sufficient demand. The rate of profit is determined by the ratio of new capital outlays to capital stock. A positive rate of profit is based on new investment spending, that is, investment spending higher than amortization. According to the Bortkiewicz criterion in its modified form, any amount of investment spending beyond replacement is capacity-increasing and requires higher demand. A higher demand originating from investment spending requires rising consumption incomes. Although investment spending net of replacement is not directly related to rising real wages, the factors determining such investment spending are related to expanding consumption. Entrepreneurs may spend in the hope of growing demand, but they will not do so indefinitely if demand does not expand subsequent to their initial investment spending.

If expectations justify new investment, investment net of replacement creates additional incomes for workers employed in the production of investment goods. Under the usual assumptions of workers spending all of their incomes on consumption goods and entrepreneurs saving all of their incomes, there is an additional demand for consumption goods. Its amount is equal to the amount of wages paid in the production of new investment goods. With additional investment-goods production net of replacement, enterprises producing consumption goods have to enjoy a positive profit. Nobody will engage in investment-goods production where no profit is to be had if it is possible to use resources otherwise and make a positive profit. The producers of investment goods have the technical capacities at their disposal to produce the investment goods required for producing specific consumption goods. They can therefore limit their investment-goods production to the amount necessary to equip themselves for the profitable production of these consumption goods. A positive rate of profit in consumption-goods production implies a positive rate of profit in investment-goods production. Total profit is then the sum of profit in investment and consumption-goods production, with profit in consumption-goods production being equal to the wages paid in investment-goods production. Total profit is also equal to the wages paid in investment-goods production and the profit in investment-goods production. Total profit is therefore equal to the value of investment-goods production. The profit rate rises if the demand for non-investment goods expands. An increase only in investment goods spending leads either to excessive rates of growth or declining capital productivity. If capital productivity does not decrease when capital accumulation outstrips consumption, the surplus between income and consumption increases more rapidly than income between periods of production. New investment would rise from period to period, and so would increases in income, resulting in unrealistically increasing rates of labor productivity. If, however, capital productivity is allowed to decline, rates of increase in capital stock in excess of increases in national income would entail shifts in distribution which ultimately lead to a decline in consumption. If perfect markets are maintained, the expansion of non-investment goods demand requires rising incomes for the only resource capable of being in short supply without market imperfections: labor with average skills. Any other resource, investment goods but also labor skills (through training), can be produced by capital itself.

Labor cannot eat up the resources necessary for investment. Any increase in mass incomes requires commensurate productive capacity. If the economy is brought back to full employment in the wake of demand expansion, any further increase in real consumption requires additional productive capacity. As no supplier can offer additional consumption goods without additional capacity, an increase in productive capacity may be accompanied by rising prices. Any increase in consumption beyond the long-term growth of capacity leads to forced savings.

In the case of perfectly competitive markets, capitalism itself triggers off the rise in mass incomes. There is no fundamental divergence between neo-classical economics and Keynesian economics concerning the rise of mass incomes under capitalism; the only disagreement concerns its degree of automaticity. With an innovation in a branch of production, the producers either fetch better prices or enjoys lower costs. The branch's profit rate increases as long as there is a demand for its products. It attracts additional resources for investment on the basis of better earnings for capital. The flow of capital into these branches takes place even if there are barriers to entry. Enterprises in the branch will not find better uses for their temporary monopoly profits and will invest them in their own branch. The increase in capital stock is accompanied by an increase in employment. Moreover, the increase in production will lead to falling prices. If the economy operates near full employment, the migration of additional labor to the innovative branches requires rising wages. Non-innovative branches can maintain their employment only by offering higher wages, which drives up their costs. The only alternative is a decline in employment and decreasing production, which ultimately increases their prices.

As long as a capitalist economy is characterized by full employment it can be flexible in adjusting to innovation and changes in demand through movements of capital and labor, possibly supported by training measures. In this manner, it constantly reproduces the conditions for its own flexibility. Even if physical productivity is limited to certain sectors, value productivity converges. The innovative branch faces declining prices and the non-innovative branch faces rising prices so that salaries and profit rates converge.

The rise in wages according to the increase in marginal product of labor is important for maintaining capital productivity and flexibility. Rising mass incomes reduce the surplus potentially available for investment, limiting investment to technologies where higher growth per additional investment can be expected. Rising mass incomes allow for economies of scale in the production of consumption goods as well as in the production of technologies. This, in turn, increases capital productivity. Once again, the rise in productivity itself is connected to rising mass incomes.

Underlying the separation between state/administration, economy, and civil society is the capitalist economy's flexibility of adjustment, as well as its tendencies to rising mass incomes and positive profit rates without state interventionism. Capitalist profit does not depend on monopoly, but on outlays for workers in investment-goods production, hence investment. Labor incomes follow the rise in marginal product of labor. Both main classes of a capitalist society achieve their most basic and immediate economic goals by means of their interaction on labor markets. They develop an interest in cutting back state spending, which detracts from their incomes. They oppose monopoly when they are not capable of exercising monopoly power themselves. The state is limited to the production of public goods, a category that changes over time. Civil society draws its resources from citizens who are scarce on labor markets. The state is not needed for legitimacy except to preserve the sanctity of legally admissible contracts. Labor market regulations such as the length of the working day are therefore essential elements of the struggle between labor and capital.

The lean state, the autonomy of civil society, the secular character of the state, and the self-steering character of the economy are the result of tendential full employment of the economy which, in turn, requires rising mass incomes. What is more, the doubly free proletarian of Marx underlying his idea that the emancipation of labor leads to the abolition of all fetters has its origin in the scarcity of labor. Labor is prepared to free itself of all precapitalist links of dependency as long as it can reliably expect to negotiate fair labor contracts on the basis of its productivity. Capitalism is an economic system that allows all conflicts to become private ones, with the exception of the sanctity of contracts and high levels of employment. This does not mean that trade unions and state intervention are irrelevant. Indeed, they aim to keep the economy at high levels of employment. There is no theory of state failure in Keynesianism, since the only goal of deficit spending according to Keynes is to bring the economy back to high levels of employment so that efficiency is guaranteed by the competition between private enterprise. Keynes chose the state for this task not because he thought the state capable of raising productivity, but because state spending was the simplest way to avoid flagging demand.

If the empowerment of labor via high levels of employment is not achieved, labor addresses itself to existing organizational setups that may help it ward off the helplessness that arises as soon as a part of this labor is no longer in demand. The fragile and shifting equilibrium of power in capitalism therefore entails the constitution of mass organizations which propose general measures to keep employment levels high and may also introduce regulations providing for some measure of income security for labor apart from its position on the labor market. With the generalization of universal suffrage, the non-labor forces have to devise employment-oriented measures themselves, or diffuse the claims of labor to high levels of employment through other means of political integration, among which nationalism or ethnic solidarity play a prominent role.

In addition, if the condition of high levels of employment is no longer met, there are no incentives for capital to proceed to capacity-increasing investment. Profits tend to zero if perfect competition is maintained, net profit possibly even becoming negative. Capital calls for state protection and exercises political pressure. If the condition for capitalist growth – full employment and high mass incomes – is not met, capitalist modes of regulation, especially competition, decay.

The transition to capitalism therefore depends on rising mass incomes which render all forms of surplus appropriation apart from profit obsolete, because profit grows in the wake of investment and allows for the development of a new, profit-based class of the privileged. A major question is how to bring about this result from precapitalist structures.

Capitalism is also an unstable arrangement, since it is based on high levels of employment. Two major questions are: Which endogenous forces will create obstacles to a return to full employment? What external shocks are conceivable in the expansion of the capitalist system to the world level which could have an impact on high levels of employment?

The capitalist system is contagious because of its superiority in productivity, and more so because of rising mass incomes being translated into new needs and allowing the development of new products. It is these new products which make it impossible for noncapitalist elites to keep aloof from capitalist economies.

There is no automatism for the development of capitalist systems out of precapitalist ones. Precapitalist efforts at social differentiation on the basis of an increasing surplus of food production face structural blockage under tributary modes of production. Tributary modes of production are characterized by the simultaneous existence of a surplus of able-bodied workers and a surplus of resources. There is no mechanism compelling the ruling classes to invest the surplus of resources into productive capacity, which would allow the absorption of surplus labor into surplus-yielding labor. Instead, rent-based mechanisms which politicize the economy are dominant at the top as well as at the bottom of society and keep tributary modes of production in place in a cyclical pattern: from breakdown, reconstitution of a centralized surplus-appropriating class, increased exploitation, overexploitation to breakdown.

I consider a society to be characterized by tributary modes of production when a surplus, mainly from agriculture, is appropriated by a centralized class on the basis of its political clout. The share of each member of this class in the surplus depends on his position within the hierarchy of this class, i.e., on political efficiency with respect to a rather well-known political hierarchy, and not on economic efficiency on an anonymous market.

The transition of communitarian modes of production to tributary modes of production can be stylized as an economic need to produce a surplus that needs to be managed once it emerges. A surplus will be produced whenever communities shift from hunting and gathering to agriculture and livestock breeding. No community can plan to limit its sowing to what is required in ordinary years in order to produce harvests sufficient to feed the members of the community until the next agricultural period. There is always the possibility of bad harvests. No other explanation is required for the emergence of the surplus, even if there are many explanations for how this necessity of producing a surplus collides with egalitarian principles of community.

Whenever property rights in land are introduced into the management of a surplus, it is possible that there will be families having no direct rights to sufficient harvests nor to the surplus. They will oppose the main mechanism of rendering the surplus socially harmless based on long-standing egalitarian principles of community, i.e., the periodical wasteful destruction of the surplus in religious celebrations. They become partners to an emerging ruling class which claims to have a permanent mandate from heaven. Those without direct rights to the surplus may be ready to worship the symbols of power of the new ruling class in exchange for a share of the surplus. The ruling class has a political basis to establish permanent rights to the produce of the land.

This process occurs when agriculture becomes more productive. Agricultural production is characterized by declining returns, at least when a certain amount of labor is engaged in this activity. Agricultural production is a nonlinear function of the labor engaged, with increases in marginal output ultimately tending to zero. With an increasing population as a result of demographic growth, more food is needed, with each additional worker requiring an equal amount of food. The consumption of agricultural products by agricultural laborers is a linear function of the labor employed, with stable positive increases. At some level of production, the marginal product has to become lower than the marginal consumption of agricultural labor.

With decreasing returns and demographic extension the threshold of marginality is achieved. This threshold of marginality is defined as the level of labor engaged in agriculture where any additional labor produces less than it needs for its survival and the survival of its nuclear family, the so-called costs of reproduction.

If demographic growth is large enough, a marginal population will inevitably emerge which is unable to produce what it needs for its survival. It is often called a surplus population. This surplus population can survive because other labor, working on more productive land, produces a surplus. Thus, under tributary modes of production there is a surplus of labor and a surplus of agriculture. The surplus of food is appropriated by the ruling class on the basis of its military power and the legal structure it defends. This basically political appropriation of the surplus makes it a rent. A rent is an income from surplus which can be appropriated in the future, too, as long a the monopoly-creating, often political-military structure underlying its appropriation is maintained. In contrast to profit, it does not have to be productively invested in economic efficiency. It is always linked to a political power system and monopoly, not to free-market competition.

The ruling class is interested in maintaining the surplus of labor. A given "lord" draws his power from his political clout. The rent as a form of surplus appropriation corresponds to the political system of power relations (laws) and politicized economy characterizing it. Political clout ultimately depends on the capacity to mobilize labor power for the violence (force) and worship (justice and prestige) a politicized class hierarchy is based on. A lord becomes a more valuable alliance partner the more he is able to produce these two types of support in addition to a surplus of agriculture. Lords will therefore establish redistributionist systems which allow the marginal population to survive. A marginal laborer does not need to have his full costs of reproduction covered, since he produces some of the resources required for his survival himself. Even if he is less valuable to the lord than the fully rent-financed soldier, he may still be useful, as marginal laborers produce parts of their subsistence goods and therefore cost less than rent-financed soldiers.

At the bottom of the society, labor engages in strategies of survival which result in the maintenance of a population surplus. Beyond the threshold of marginality, labor has to accept work contracts providing them with earnings lower than what is required for their survival. Survival is possible only if some contracts are better than others. If the better contracts are awarded in a lottery-type manner, every family has an interest in being large, in staying together, and possibly engaging in association-building in order to spread the risk of nonrewarding work contracts. If participation in this lottery is closed to unruly or even seditious elements, the latter are disowned by their families. Marginality introduces the necessity of accepting the existing order as a God-given one. The popular, magic-oriented worship of nature is complemented by the worship of areopaguses of gods to which the ruling class and its apex, the son of God on earth, have special access.

The lords establish vertical links of obedience within the ruling classes and with the exploited class which are more or less readily accepted by the exploited class. The cement holding all of this together is the religious explanation and justification of an unchanging order made prestigious through monuments of power. With the access to lottery-type contracts being contingent upon good behavior there are moral rules to be followed and interdictions against ideas of solidarity and equality which, if they exist at all, are stubbornly integrated into systems of moral economy and moral order. In this context, the invention of monotheism or quasi-monotheist religions (Buddhism, Jainism) can be considered major intellectual revolutions on the part of the masses against the tributary order.

The marginality-*cum*-rent structure resists most forms of technical innovation. The main aim of those in control of the economic surplus are works of prestige and luxuries. A higher productivity in the production of luxuries leads to more or, most likely, better luxuries being produced. An additional demand for luxury workers does not increase mass incomes, since it does not improve productivity in mass consumption-goods production. When the reserve of labor for luxury production is exhausted, production is stopped. In contrast to capitalist modes of production, there is no non-zero-sum relation between invested profit and mass consumption, but a zero-sum-relation between luxury consumption and mass consumption. An increase in productivity in the production of non-agricultural mass-consumption goods lowers the gradient of the cost line of agricultural labor thereby raising the threshold of marginality. More labor produces more than it necessarily consumes. This effect cannot surpass the level where the consumption of non-agricultural necessities by agricultural labor reaches zero in their household budgets (either because these non-agricultural necessities have become free goods or because their further consumption is denied).

Agricultural progress may take two forms. In one form, the surplus per labor already employed increases. In the other form, i.e., colonization and bringing new land under the plow, marginal product of labor increases. It is only this form of agricultural progress than can free labor from the fetters of the marginality trap. Out-migration to open frontiers can therefore be considered a major form of labor resistance in tributary modes of production.

The dependency of lords on a relatively inelastic supply of surplus leads to fierce competition. Ibn Khaldûn has shown how rising consumption by the court is a major instrument for prevailing in this competition. Ultimately, the increasingly rapacious exploitation of existing resources makes the exploited class less able to remain obedient. The sheer struggle for survival eventually causes a break with the existing legal order and a withdrawal from the world regulated by law and order as prescribed by the powers in place. The social rebel is one symptom of the decay of power, allying himself with elements of the powers in place that fear a complete breakdown of law and order, especially the lower ranks of the class of lords. If there is no massive reduction of the laboring population or a major agricultural breakthrough, the idealistically minded revolutionary leadership and the reform-oriented, fairer parts of the powers in place with a moral-economy mindset will not be able to transform the tributary mode of production, but can only establish a new one, with initially lower levels of repressiveness as described in the theory of the dynastic cycle.

A theory of the history of the global capitalist system does not have to be a theory of world history. It should be more narrow. The interactions between regions that have achieved a transition to capitalism and regions that are about to achieve it or, conversely, fail to do so are the focus of a history of the capitalist world system. The European expansion of the sixteenth century laid the foundations for the transition to capitalism in Europe, for the expansion of capitalism to other regions of the world, and for shaping other regions into patterns where the transition to capitalism became unlikely. The European expansion of the sixteenth century was not capitalist in character. The transition to capitalism was not triggered off by new possibilities of exploitation created through this expansion. It depended on the expansion of mass markets for relatively simple, standard-quality products whose fabrication could be mechanized. These markets were initially internal. The capitalist economies that were capable of overcoming marginality expanded the most. The specific features of Europe are based on its deviation from the mainstream of humankind's development to tributary modes of production. These mechanisms are forms of resistance against the centralization of power in Europe, and explain why a greater decentralization of surplus was possible there. A friendly environment (water plus a good amount of sun) allowed small-scale decentralized agriculture to become an instrument to reduce marginality in place of large hydraulic works. A large variety of factors of this type explains why European agriculture was transformed and became characterized by low levels of marginal labor.

Once capitalism became established in a particular center, it tended to expand because of shifting comparative advantage and rising labor incomes in the capitalist world. It was capable of transforming existing noncapitalist structures into capitalist ones only when complementary conditions were fulfilled. Capitalism by itself had too weak an impact to spread, and was rejected by collaborationist and reformist elites in the noncapitalist world. Economic crisis did not trigger off self-centered capitalist growth, but state-led, rent-based and often lopsided economic "development."

The transition to capitalism in Europe is, however, based on characteristics which – by some accident, and not by a specific (Western) European cultural development – happened to operate in Western Europe. Although capitalism showed expansionist tendencies, these were too limited to achieve transformation in many parts of the world. Thus, some parts of the world were included in this expansion, other parts deformed by it. Popular movements emerged in the latter parts and led to changes in the internal structure of these societies. Some of them were capable of an easy transition to capitalism. Others were not.

Limits to a history of the world system can be drawn from the two models favored in my approach. It is not necessary to include all of world history. The idea that the whole world constituted a single system since the establishment of transcontinental long-distance-trade routes explains little. The history of the world system is about how capitalism emerged, how it expanded, what the results of this expansion were, and how these results contributed to the transformation of newly integrated economies into true capitalist ones.

Part of this theory could be on how the newly integrated economies contribute to the transformation of capitalism itself. This question will be omitted here. From my analysis of capitalism it is clear that the growing new needs of the masses can be thought of as being historically limited in time. When the mechanism of rising demand creating opportunities for profitable investment is exhausted, there is the alternative of returning to a modern variant of a tributary mode of production or a truly egalitarian association of producers. My analysis suggests that the first alternative is more likely.

The time and space to be covered in my history of the capitalist world system corresponds to what Frank and Wallerstein, among others, initially called a capitalist world system. Although the two authors later expanded this framework, I maintain the initial limits in my own approach.

The topics to be analyzed are the long sixteenth century and feudalism, not because they are capitalist in themselves, but because both elements are closely, albeit contradictorily, associated to the process of transition to capitalism in Western Europe. The overseas expansion of Western Europe was not capitalist in itself. It was the creation of an overseas empire. Rome, too, primarily created an overseas empire. Portugal and Spain's forms of expansion were not entirely different from other expansionist ventures under tributary modes of production. That there may have been special instruments of rational management such as ship insurance, associations for special ventures or double bookkeeping is highlighted in academic research because so much of the well investigated data concerns Europe's prehistory of capitalism. The Mughals and the Chinese also had cadastral surveys for taxpaying, and probably other instruments of rational management as well. I assume that further investigations by the historians of Indian or Indonesian princely courts will unearth more such materials. The sources of non-European societies may have been tapped into, but historians have not yet really worked through them.

The organization of the new periphery of Europe followed the more developed tributary pattern. The issue has been debated in the non-feudal principles of exploitation of Latin America. There were no feudal landlords who let cities and markets grow, but a rather centralized oligarchy that relied on the state and state centralization of the surplus under a European monarchy, Spain – the first Continental European monarchy to succeed in overcoming feudalism by establishing a form of absolutism as a tributary mode of production. Long-distance trade had been known for centuries all over world. It always relied on monopoly. Its profit was not dependent on perfect competition, and was spent first of all on the protection of trade routes, then on acquiring other forms of monopoly power, offices and/or land. Even the slave trade, in which commercial relations seemed to be prominent, was a mode of production that lacked the typical characteristics of a capitalist pattern of behavior. Monopoly profit was not used to increase labor productivity (except for a few minor examples in sugar manufacturing), but was wasted on conspicuous consumption. Slave labor was superior in "profitability" to feudal exploitation because the cost of raising it was shifted to the societies targeted for slave raiding, securing the lowest possible costs through the specialization of these societies on slave-*raiding* The low prices of child slaves in relation to adult ones is proof of this. Because the cost of child-rearing was externalized, overexploitation, with the life expectancy of a slave at about seven years after enslavement, became economically rational for slaveholders. The major impact of the particular degree of rationality of the European tributary mode of production was not productivity increase, but the removal of fetters of moral economy in relation to "barbarians." This was greatly supported by the strict differentiation between internal Christians and external non-Christians in a European society where Christianity with its egalitarian tendencies had created a sense of community, which at times could be turned into racial discrimination, not only against Jews but also Muslims and, later on, blacks, whose baptizing was initially forbidden.

There is, however, one specific European feature which is accidental in character: the difficulty to establish a single-apex hierarchy of the ruling class under tributary modes of production. The Pope never yielded to the Emperor's claim to be the supreme head of Western Christianity. It could not be deduced from the teachings of Christian faith that the Pope should be independent. The same texts did not exclude the constitution of a centralized caesaropapist regime in Eastern Rome, or, later on, Gallicanism in France, where French kings had a decisive say in the nomination of bishops. The "captivity" of the Church in the fourteenth century reflected its complete subordination to territorial princes. Even the reform of the Church did not exclude its subordination to the English crown, nor the so-called alliance between Throne and Altar in Germany. For some time, however, there was acute rivalry in the most important tax-collecting regions (Germany and Italy) of the two powers, Pope and Emperor, which ultimately allowed smaller powers to further free themselves of tutelage.

One of the new categories of power was the city. City government, too, originated in structures quite similar to the ones in the world of Islam, India, and China. There was a governor who did not rule through village headman but through representatives of the various trades active in the cities. It was the weakness of the governors that allowed the development of municipal government as a sort of configuration of different trade associations. It was the weakness of the central institutions of monarchy which allowed the rise of regional powers. Finally, it was the checks of regional rivalry on regional powers which increased the autonomy of local powers, including the cities. The more decentralized power was, the more rent was kept from flowing to the center. The German monarchy devised a supreme scheme for keeping local powers from perpetuating themselves. The exercise of power was delegated to clerics who, in Christianity, cannot transfer power to legitimate descendents. The conflict between the Pope and the Emperor over nominating these clerics ultimately led to the destruction of the old German Empire, which at the same time had represented the claim to universal monarchy as the European form of a tributary mode of production.

Because of its weakness, the city as a self-governing body and not as a center of imperial administration was forced to trade with its environment. Peasants turned from mere objects of exploitation into traders. Because of the weakness of the central monarchy, landholders could not increase their income by holding office in the centralized structures of the monarchy. They also had to trade. They became interested in the productivity of their peasants. A market for mass-produced goods strengthened the artisan sectors in the city or rural industries whenever the city tried to monopolize trade. The artisan sector was no longer oriented solely to luxuries. Some basic necessities and some supra-regional activities (such as salt-production) were necessary. Certain automatisms of the market economy began to manifest themselves. Peasants and burghers joined in the early bourgeois movements against monopoly and exploitation by newly emerging tributary powers.

Investment in agriculture was able to be decentralized due to ecological conditions. Europe did not need large irrigation systems to overcome the ecological constraints on agriculture, since there was sufficient rainfall. The most centralized investment in agriculture was in mills. All these investments were able to be made in close cooperation between farmers and landholders, making profit-sharing an instrument for mobilizing additional labor. There was an economic basis for decentralized structures early on in Europe.

Unlike in tributary modes of production, decentralized structures are not confined to times of disorder, although they definitely have some of these aspects: they are fought by the forces of order like the movements for *treuga dei*, general peace-making in the countryside. Recentralization of the tributary state, which for centuries had been the essence of state-building in Western Europe, faced peasant resistance early on. The success of peasant resistance was rather accidental, however; the population reduction caused by the Great Plague played a more important role, as it made labor scarce. Whereas lords were able to introduce "second serfdom" in Eastern Europe, they failed to do so in Western Europe.

It was therefore the result of class struggle in a basically favorable environment for decentralized structures which kept Western Europe from turning tributary. As shown by Absolutism later on, this outcome cannot be explained by cultural heritage. The result was often achieved on a razor's edge. For a long time, the society with the most developed tributary mode of production, China, was a shining example for European elites.

Decentralization made resistance worthwhile and especially allowed for simple deals involving some sort of compromise about financial obligations and, ultimately, purchasing power. The generalization of private property in land, which had existed in large parts of the Roman Empire, but also in Moghul India and major parts of China, produced paupers. Paupers had to be given support, as was the case in China and India, too. The European solution of holding parishes responsible for paupers is not radically different from making temples, caste organizations, or villages responsible. What has to be explained is why the European solution of subsidizing paupers out of taxable rent led to their being effectively farmed out as cheap labor to producers. Explanations have to concentrate on the transformation of the need for food among Europe's poor into effective demand for food production and rising incomes. This demand gave incentives to a multitude of small producers to invest in the putting-out and rural industries of the countryside, which cared for poor people's needs. The increase in mass demand through support to the poor, which ultimately transformed the negotiating capacities of the non-poor, created ipso facto new possibilities for employment in agriculture and in small-scale industry, introducing to these sectors decentralized relations of market competition.

The external market played its role. It was not a source of accumulation as described in the theories about the exploitation of "open veins" of precious metals in Latin America or the drain of India. But it made Europe specialize on simple low-quality products which increasingly lent themselves to manufacturing by means of machinery. Among the European territories, the ones where this pattern of specialization was most intensive became the birthplace of the Industrial Revolution.

The Industrial Revolution transformed whole territories. It certainly led to processes of homogenization, but also polarization. Not all protoindustrial regions with comparative advantage in manufacturing for mass consumption and accompanying long-distance trade activities were successful. Europe was marked by both industrialization and deindustrialization.

Uneven development, however, occurred within economic regions where factors of production were mobile. The English Midlands certainly experienced in-migration from other regions of Britain due to push and pull factors, and not only because survival had become impossible in the regions they migrated from.

Hence regional imbalances within industrializing Europe do not account for far larger imbalances at the international level.

Capitalism is expansionist for two major reasons:

- it causes shifts in the relative prices of products;
- it implies rising mass incomes, which has different effects on different products.

There is no non-expansionary phase of capitalism. The withdrawal of Europe from its overseas undertakings in the so-called imperialism of free trade is not just a specific phase between two expansionary phases of capitalism. It was the beginning of capitalism which rendered precapitalist rent-maximizing empires obsolete.

Capitalism is connected to innovation. Whenever innovation occurs, the relative prices between products change. When relative prices change in one economy, this economy experiences shifts in comparative advantage, as do other economies. The opportunities for profitable trade increase for all economies.

Capitalism is accompanied by rising average incomes for the mass of its labor with average skills. But physical productivity will only increase in some branches, and there to different degrees. Some products become relatively more expensive, others become cheaper. The system of relative prices changes.

Even an economy that does not experience any innovation at all gets drawn into the international division of labor. As the prices for non-innovative products also rise in the innovative economy, the manufacturing of these products in a backward economy at the same level of productivity but at lower wages offers the backward economy new export opportunities. In addition, rising real wages in capitalist countries give rise to new needs. Some of these needs are satisfied with products whose natural conditions of production are especially favorable in noncapitalist countries: at first sugar, then tea, coffee and chocolate, later on products from the coconut tree as well as tropical fats and fruits, and nowadays long-distance tourism. Other new products satisfy needs previously unthinkable, such as automobiles and airplanes. The production of such luxuries depends on the concentration of skills available locally in the centers of industrial production. They replace at least in part the traditional luxury products of the noncapitalist world. The capitalist world sells its own mass-consumption goods to the privileged in the rest of the world. In exchange for access to these products, the privileged act as bridgeheads of colonialization and imperialism, thwarting attempts at "counterintegration."

The role of "mediating and collaborating" elites in capitalism's intrusion into all societies was more important the more inegalitarian, hence the more developed, pre-existing tributary modes of production were. Without them, India could never have been occupied by the ultimately tiny British army on the subcontinent. A few years after the opening of the Chinese market for European exports, the Chinese imperial government appealed for European help to defeat its own internal rebels and quell the Taiping Rebellion, at that time the largest popular movement in world history. In 1840 Mohammed Ali was defeated by the Turkish Sultan, who had asked for British assistance.

Despite elites of the South laying open their societies for integration into the world economy, the periphery was never integrated into the capitalist world economy. Europeans had tapped the mine of marginal peasants in China in the nineteenth century. The theory of the backward-bending supply curve of labor was developed in the context of communities exercising passive resistance against exploitation, not only, but especially, in Africa. There was considerable out-migration of labor from India and China to Oceania, the Caribbean and the Americas. Some of the American infrastructure was built by Chinese contract labor. Yet even despite much lower levels of population growth in the main human settlements of the world in the late nineteenth century – India, China, and Southeast Asia – surplus labor could not be absorbed by the capitalist world economy.

Three reasons may be advanced for the limits to capitalist penetration into the not yet capitalist world. The noncapitalist world was *rich* in raw materials and minerals, but *unproductive* and *reluctant* to be integrated.

The capitalist world was the first to exploit easily accessible mineral deposits near its industrial centers. The rest of the world still had easy access to plentiful deposits, the exploitation of which became increasingly cheaper due to the technical innovations of capitalist countries in their struggle against rising costs of raw-material production. Thus, the noncapitalist world began its integration into the capitalist world economy as raw-material exporters with at least initially high prices for these minerals (and raw materials) due to its dependency on Western large-scale mining and transport technology. The tin barons and oil sheiks are part of Western fantasy. They owe their existence to differences in the costs of production between different raw-material deposits providing a differential rent to all producers but the marginal ones. This, of course, allowed high incomes in other sectors of the economy. The noncapitalist world was, in end effect, too rich to prosper.

The noncapitalist world was not productive in industry and food production. Agricultural yields, and hence agricultural surplus, were low for most of the noncapitalist world. The same was true of average incomes, which obviously depended on productivity. Comparative advantage can be transformed into cost competitiveness if the labor additionally employed in exports earns incomes in local currency that it can spend on locally produced nontradables, especially food. This transformation of comparative advantage into cost effective exports requires a surplus of agriculture if at purchasing parity of real wages in international currency exports are not yet competitive. Only India and Japan achieved international competitiveness in textiles before World War I.

Nevertheless, noncapitalist economies benefited from the expansion of the capitalist world economy. Crises in the capitalist world, such as the world economic depression of the 1930s, severely hit the noncapitalist world. The crisis of the "center" did not start economic growth in the periphery. It did, however, lead to political innovation by complementing collaborationist with reformist elites. The elites of the noncapitalist world were reluctant to be integrated into the capitalist world economy, both their collaborationist and reformist elements. The collaborationists benefited from rents and low labor costs. They did not want to make their countries more expensive through industrialization. The reformist elements wanted to centralize rent and use it as a subsidy for industrial diversification. The collaborationists prevented rent from trickling down to the poor because of greed, the reformists because of a higher sense of duty placing investment above mass consumption.

Capitalism's expansion was further blocked because its limited impact and the nevertheless significant dislocations and deformations caused by it provoked a reinforcement of rent-based centralized structures and politicized economies whose leaders took over power from the West in the form of national liberation movements.

The current globalization process is not due to low real wages in underdeveloped economies. It is based on low labor costs which are achieved through devaluation. There is no possibility of blocking devaluation-driven exports through wage restraint in more developed countries. The only possibility of blocking devaluation-driven exports is either the disappearance of a surplus of locally produced wage goods for the additional labor employed in export sectors or full employment translating further tension on the labor market into so-called "imported" inflation.

New comparative advantage is achieved not only in the less modern and less dynamic industrial sectors. Overtaking can occur, and is most probable if a certain degree of basic infrastructure is established in the technically less-developed world, as comparative advantage is linked to learning-by-doing processes. If learning-by-doing is an important element of disembodied technical progress, the most developed economy should normally fall behind, because of comparative advantage in industries that are lagging behind. Strategies of remaining first therefore depend on the state-guided mobilization of rent.

Devaluation is a costly process. It can be limited if industrial diversification is pursued by means of state subsidies to industries with backward linkages or industries in the value chain with a potential for diversification. If catch-up economies cut costs through devaluation and indirect subsidies to exports and if technically leading capitalist economies pursue the strategy of being first by means of subsidies and wage restraint, underconsumptionist tendencies are likely to appear. Strategies for dealing with underconsumptionist threats are linked with strategies of rent appropriation. The political structures of capitalist economies are threatened by increasing rent-seeking. A world fit for the internationalization of rent emerges.

The current process of globalization is not caused by low wages in the underdeveloped world. It is caused by an important group of underdeveloped economies having become capable of devaluation. Devaluation means fixing the exchange rate below purchasing-power parity. Exports become more competitive. Imports become more expensive in relation to importcompeting local products. Levels of employment increase as a result. Additional workers in export-augmenting and import-substituting branches receive wages in local currencies well exceeding the purchasing power of these wages on the world market. There is an increase in local demand from experts without a commensurate increase in locally available supply from imports. Increasing exports by means of devaluation is possible only if there is a local capacity for wage-goods production which can cover this deficit. With low levels of real incomes and poor households spending half of their incomes on food, devaluation-driven export-oriented industrialization is possible as long as agriculture produces a surplus. Devaluation-driven exports are possible only for countries that have a simultaneous surplus of wage goods and labor, where the surplus of wage goods does not lead automatically to the absorption of a surplus of labor. A surplus of labor and a simultaneous surplus of resources are the defining characteristics of underdevelopment. If there is no surplus, any level of devaluation would lead to inflationary pressures – from the supply side via scarcity of labor, from the demand side because of excessive demand from workers in the export sectors whose additional incomes are higher than the available supply of locally produced additional products.

Foreign exchange rates for most Asian countries are about four times their purchasing-power parity. The successful export-oriented economies are not the poverty-stricken economies of sub-Saharan Africa, but Asian countries, especially the rice-growing East and Southeast Asian countries where the green revolution was successful. In China, an ordinary household can purchase about ten times as much as it could in Canada if its income were converted into Canadian dollars. All successful export-oriented newly industrializing countries were self-sufficient in food when they started their exports drives.

There is no way for technically more advanced economies to use wage restraint to block the transformation of comparative advantage into cost competitiveness via devaluation. The only means of keeping catch-up economies from transforming comparative advantage into cost competitiveness would be to destroy their capacity to produce food surpluses – at the risk of causing famines. The other solution is the transformation of devaluing economies by means of full employment. With rising employment, no surplus of labor would be available anymore to support export industries. Continued undervaluation of the currency would lead to shortages on the labor market with inflationary pressures.

A low level of average productivity blocks the transformation of comparative advantage into costs competitiveness. Devaluation-driven export-oriented industrialization lifts these blockages, which have existed for decades.

Furthermore, the noncapitalist world continuously acquires new comparative advantage due to innovation in the capitalist world. As technical progress is different in different branches, any attempt to increase competitiveness through innovation creates branches that lag behind and where noncapitalist economies have to acquire comparative advantage. Since the 1930s, productivity in food production has been growing more rapidly than productivity in some of the lagging industrial branches. Terms of trade improve between food and the products of industrial branches with low productivity increases. The noncapitalist world experiences new comparative advantage in branches whose products enable the workers producing them to buy more food than before on the world market. Under these conditions, even countries which cannot devalue because of their incapacity to produce surpluses can transform comparative advantage into cost competitiveness. Thus, absolute differences in wages matter more and more. The high level of real wages in technically leading economies is, however, not only the result of trade-union activity; it corresponds to the requirement of purchasing power being commensurate to productive capacity. If internal purchasing power can no longer grow because of devaluation-based catching up or low international labor costs based on low food prices, the capitalist mechanism of mass incomes rising in line with productivity increases is blocked.

The acquisition of new comparative advantage following technical innovation in the technically leading economies has long been disregarded because of the parallel assumptions contained in the theory of the product cycle, the theory of uneven development, and the theory of imperialism and neocolonialism. These three theories assumed that the leading capitalist economies maintain their advance in productivity in the technically most advanced branches and abandon the less innovative branches to the less developed world. There are close links between these theories and the theory of endogenous growth, which insists on path-dependent, non-identifiable technical progress as a key source of economic growth.

There is, however, a major contradiction between these theories and the theory of endogenous growth with respect to the pattern of international specialization. Suppose that technical progress depends on something which is conveniently summed up as learning-by-doing, and which we divide into two elements, an organizational variable and a technical variable. Any economy operating industries with a reasonable share in total employment develops the organizational values or "culture" necessary to implant a given industry. This is a fair assumption given the multitude of European societies which managed their breakthrough to industrialization in the nineteenth and twentieth centuries. The technical aspect of learning-by-doing is assumed to involve knowledge about a specific branch. The leading economy will have comparative disadvantage in new branches vis-à-vis economies that are industrialized yet still lagging behind. The leading economy is more productive in the hitherto leading branch, where it has acquired technical learning-by-doing. It is technically superior to economies that lag behind and that, because of their pattern of specialization, have not acquired technical learning-by-doing. In the production of the newly emerging branch, the leading and the still backward economies start out with the same general level of organisational learning-by-doing. They are equal in this respect, whereas the hitherto leading economy has comparative advantage in a branch which is destined to become obsolete. It is improbable that technical learning-by-doing in an existing branch confers the same advance on a leading economy vis-à-vis a still backward one as in a branch where only the leading economy is active. The fact that Germany has specialized on old branches (cars, chemicals and machine-building) is an illustration of this argument.

There is, however, one important stable element in the international hierarchy of the division of labor. An economy which supplies the world market with technology will tend to continue producing equipment. New equipment is purchased as long as it reduces the user's unit costs. To achieve this, the producer of equipment has to increase the performance-cost ratio of this equipment. Any user of this equipment enjoys a higher productivity through decreasing costs of technology in relation to performance. This applies to the home economy of the investment-goods producer as well as to any foreign economy. Only the investment-goods producer captures the knowledge of learning-by-doing achieved through investment-goods production. The economy of the investment-goods producer acquires comparative advantage in investment-goods production, and maintains it as long as it continues to plow back profits in investment-goods production. If investment-goods production has any spin-off and trickle-down effects, those who happen to be in this club will remain there, with newcomers possibly facing increased barriers to entry.

Let us now assume that the sources of disembodied technical progress change. One might think that the importance of skills and the craftsmanship of workers is supplanted by research and development, which does not take place automatically in enterprises, but requires heavy government spending. The insistence by some authors of endogenous growth theory on government-financed innovation systems can serve as an illustration in this respect.

In a similar way, catch-up economies, too, are encouraged to go for state interventionism. Devaluation is a costly solution, even though it may be necessary in order to enter the world market with a diversified mix of products. The disarticulation of the product chain tends to limit the effects of devaluation the more complex a product becomes. The starters of export-led industrialization were simple labor-intensive products with a limited foreign content. When the foreign content is about 50%, devaluation by 50% reduces the supply price on the world market by only 25%. If half of the foreign content can be produced locally at double the price, the same rate of devaluation will maintain the current supply price but allow producing half of the foreign content locally. A subsidy to this part of the product chain would lead to the same result. If long-term perspectives indicate that it is this part of the value chain where most of the learning occurs, a subsidy like this can be justified. This is nothing other than the strategy of using forward linkages to climb up the value scale, which in most of today's industrial countries led from the production of consumption goods to the local production of investment goods. The dangers of mismanagement are limited. There is no better extension worker than an export-oriented enterprise that has to address local suppliers of spare parts and investment goods. South Korea and Taiwan developed their investment-goods industries through mixes of state-sponsorship (e.g., import restrictions) and demand pull.

The competition for world-market shares on the basis of devaluation has implications for world consumption. Anyone who supplies part of the wage goods for export workers from their own surpluses accepts lower incomes from the world market. Such an economy contributes more to supply on the world market than to demand from the world market. In a capitalist economy, the two titles for appropriating income are scarcity of labor and scarcity of consumption goods caused by incomes paid out to labor in investment-goods production.

Devaluation-driven export-oriented industrialization does not increase the amount of demand under either of these titles. It increases the volume of demand for locally produced consumption goods in economies which, by means of devaluation, accept lower incomes for their factors of production than they pay out to them in local currency. Devaluation-driven export-oriented industrialization triggers off underconsumptionist tendencies. The argument that some of these economies are characterized by balance-of-trade deficits, and therefore by overconsumption, does not refute this threat. Balance-of-trade deficits may emerge because of deterioration of the terms of trade. In order to maintain local consumptive capacities, those benefiting from improvements would have to increase consumptive capacity more rapidly than productivity, i.e., in line with the combined rate of productivity growth and improved terms of trade.

Strategic-trade-based attempts to be first and devaluation-driven attempts to be cheapest disestablish the capitalist mechanism of growth of consumptive capacity matching the growth of productive capacity. This leads to recession and further restraints on investment.

When the market mechanisms to secure access to income are blocked by underconsumptionist tendencies, both camps of a capitalist economy give up their orientation to the world market and fall back on combinations of a market economy and a moral economy. There may be many specific instruments to gain access to resources, from supporting investment to supporting the poor. All of these programs have a political character in common. Just as in the case of rent, the mode of access to the appropriation of income depends on power, and hence on institutions legitimizing this access. The latter have to be circumscribed in their constituencies, creating identities with ins and outs. Although it may be possible to have constituencies based purely on "acquired" (as opposed to "ascribed") characteristics, the binding character of decisions and of representation will be best promoted by territorially circumscribes constituencies. Nobody has a problem complying with right-hand or left-hand traffic once it becomes established somewhere. In an underconsumptionist world, all actors will fall back on rent-seeking, and use existing powers to do so. These existing powers will be territorially circumscribed like states.

In a Keynesian interpretation of the world capitalist system, the transition to capitalism is open. The system is open with respect to the future as well, with the possibility that it might revert to a noncapitalist system. Its instability is due to the weakness of consumption, and over longer periods to the weakness of labor. It can also contribute to an immense increase in consumption. When more and more needs become satisfied, the search for future security gains in importance. Some even claim that such a shift in needs from actual consumption to future security is already taking place in some of the leading capitalist economies. This leads to a loss in demand and a decline in profit. Underconsumptionist tendencies of this sort occur when large parts of the world enter into the capitalist world system through devaluation-driven export-oriented industrialization. The stress on world consumptive capacity is mitigated by the fact that the larger among the newly industrializing countries not only rely on devaluation, but continue to use state-sponsored rent-seeking to subsidize industrial diversification. Two possible outcomes may be stylized: a homogeneous world economy resulting from the generalization of profit, and a fragmented world economy based on the rent appropriation of territorially circumscribes units called states. Because of their sheer size, which in most cases is larger than ethnically homogeneous groups, these states will not be nation-states but empires. The international system will not become a society based on international law, but an international society of states where states continue to jealously guard their sovereign rights.

World system theory can acquire completely new dimensions according to the economic paradigm chosen. The attempts of the late nineteenth century based on classical economic theory (Weber and Sombart) with growth depending on limited resources for investment yielded comparative histories of economic and social development which proceeded in stages. On the basis of a Marxian theory of capital accumulation and exploitation, Wallerstein and Frank constructed world systems where the capacity to exploit determines the capacity to accumulate.

A Keynesian model is at the basis of my own contribution. Regarding the characteristics of capitalist growth, technical progress and not the accumulation of physical capital is decisive. The capital-output ratio tends to be stable and the role of exploitation in capital accumulation is limited. The position of an economy in the international division of labor is important, however. Economies specializing on mass consumption industries with the potential for rapidly growing markets have the best chances to grow and acquire the technical capacities for investment-goods production and further technical innovation. Still, the course of history and the pattern of globalization are open.

The model I propose implies that the transition to capitalism is an accidental development. There is no automatism in the transition from noncapitalism to capitalism. I surmise that a world history without capitalism, characterized by the rise, flourishing and demise of dynasties ruling over rising, expanding and decaying empires, could have equally occurred. The model claims that, despite its expansionism, capitalism is sometimes unable to establish itself in noncapitalist peripheries, which it proceeds to deform without implementing the complementary measures required. The model is also open with respect to the future.

In the leading capitalist economies, the level of satisfaction of material needs leads to shifts in the structure of needs. Some of these needs translate into demand for the productive sector. This is the case for many environmental goods. Higher environmental standards translate into lower capital productivity. The need to employ more capital (and labor) to produce the same level of output reduces the rate of total factor productivity growth.

Productivity growth can be more easily matched by a moderate growth of consumption.

Other needs are pure losses of demand. This is the case with saving for the future. The increasing propensity to save is nothing other than the absence of demand. Full employment demand could be maintained if entrepreneurs raised their investment-goods demand and proceeded to invest on the basis of debts. The German case shows that the current pattern of growth can be financed mostly from write-downs, and that therefore a productive recycling of additional household savings is difficult. Rising public debt can be considered an instrument for offering the counterpart to private savings.

The underconsumptionst tendencies in the capitalist world are reinforced at the same time the catching up of not yet capitalist economies requires expanding internal markets. A slow-down of expansive tendencies in the center coincides with more externally oriented growth in the periphery following the failure of the previous internally oriented strategies of import-substituting industrialization.

It is possible that the expansion of capitalism to its periphery finds political alliances favorable to a deepening of capitalist penetration. There is a variety of ways with a common characteristic: the mobilization of rent for subsidizing marginal labor creating labor markets that allow productive labor to share in productivity increases because of its scarcity and establishing the capitalist mechanism of rising mass incomes creating outlets for profitable investment. These measures include agrarian reform, nongovernmental organizations subsidizing marginal employment, redistribution in favor of the poor in a manner similar to the English poor laws, as well as import-substituting industrialization, which is complementary to export orientation, and, of course, export-orientation itself, which has been shown to be a strategy of mobilizing rent from agriculture in order to subsidize additional employment in export-oriented sectors.

It is not to be ruled out that complementary reforms of this type will be increasingly applied. Globalization is accompanied by four types of political alliances in the not yet capitalist world. Where marginality has been overcome at an early stage of export-led industrialization, export orientation leads to important multiplier effects and to the emergence of an initially radical but increasingly reformist working class. The respective societies in East and Southeast Asia will proudly follow the Continental European model of democratization. In Latin America, state intervention, but also the market, have been discredited. This has resulted in political apathy, occasionally challenged by populist outbursts. The elites are committed to a purely Western-style discourse on democratization, and are satisfied with a lack of popular mobilization. In sub-Saharan Africa, there is no significant agricultural surplus. Authoritarian regimes are challenged by urban elites connected to the state's patrimonial power. In order to fill these structures with rents, a superficial discourse persists on democratic change and the values of 1776 and 1789. Finally, China has been able to win over substantial parts of its elites for a program of political dictatorship combined with economic liberalization.

There is a large group of countries in Africa and Asia, from Morocco to Indonesia, including many Muslim countries, but also Hindu India, where import-substituting industrialization has not succeeded in overcoming marginality. Self-sustained growth has not been achieved. Nevertheless, the results of development efforts have been strong enough to spur on further efforts combining inward-looking diversification with outward-looking export promotion. State intervention has not been completely discredited in these countries, but the old movements of secular nationalism and their macroeconomic planning have suffered a severe loss of prestige. Political movements have to find new bases for popular mobilization. Within nationalist movements, colonial powers faced with granting independence and neocolonial powers during the phase of Western development assistance have both privileged relations with secular nationalists. New values for mobilizing support can come from the old, traditional segments of the nationalist movement. New cultural identitarian movements have arisen because the secularly oriented nationalists failed to deliver the goods they had proposed as the basis of their legitimacy. These new cultural identitarian movements vacillate between violent deformation of identity and a reformist opening to the mainstream of their societies. The more middle strata representing the economic interests of small and medium-scale entrepreneurs latch onto these movements against socially rootless political entrepreneurs, the more likely it is to expect a slow shift to nonviolent means and pragmatic support for democracy, where toned down movements can eventually hope to constitute majorities or major elements in government coalitions. There are some similarities here to nineteenth-century populist (Social Christian) movements in Western Europe with respect to the use of traditional values, moral economy, and the lack of determination in fighting exclusionist, anti-out-group tendencies like fascism.

One can assume that these movements defend the sovereignties of the states they get hold of, since they do not participate in universal, worldwide ideologies, even though some of their ideologies may be shared in other states.

The movement towards a law-based international community is strong in the OECD world, but especially in Western Europe. It will, however, not be able to impose a subordination of major powers comparable to that in Europe. It is highly improbable that a civil society of transnational character will emerge in the rest of the world like it did in Western Europe. Obviously, most of these newly emerging powers are multiethnic. More than half of the world's population lives in states with almost continental dimensions: China, India, Brazil, the United States, Indonesia, and South Africa with its zone of immediate influence. With the exception of the United States, these states have no national identity based on a common spoken language. It can be assumed that these powers will form a great power system organized according to the principles established in Vienna in 1815: mutually respected legitimacy with saturated spheres of interest and interstate cooperation.

Peaceful coexistence is probable if these powers succeed in establishing two conditions:

- a balance between their own consumptive and productive capacity so that no major power beggars the rest of the world for growth incentives;
- the ability to address falling behind in technical development with state interventionist measures, in opposition to the logic of the WTO.

It is clear that an interstate system of this sort will be more easily attainable if the transition to capitalism succeeds in today's underdeveloped world. The new cultural identitarian movements are important players in a major part of the world where this transition is most precarious. Facilitating this transition would strengthen the elements in these movements that are prepared for international cooperation and peaceful internal political dynamics.

References

Abrahamian, Ervand: "European Feudalism and Middle Eastern Despotisms", in: *Science and Society*, 39, 2 (Summer 1975); pp. 129-156.

Blake, W.O.: *The History of Slavery and the Slave Trade. Ancient and Modern. The Forms of Slavery that Prevailed in Ancient Nations Particularly in Greece and Rome. The African Slave Trade and the Political History of Slavery in the United States. Compiled with Authentic Materials* (Columbus, Ohio: J.H. Miller, 1858)

Bortkiewicz, Ladislaus von: "Wertrechnung und Preisrechnung im Marxschen System, 3. Teil", in: *Archiv für Sozialwissenschaft und Sozialpolitik*, 25, 2 (1907); pp. 445-489.

Chaunu, Pierre: *L'Espagne de Charles Quint* (Paris, 1973)

Chen, Haichun; Gordon, M.J.; Zhiming, Yan: "The Real Income and Consumption of an Urban Chinese Family", in: *Journal of Development Studies*, 31, 1 (October 1994); pp. 201-213.

Dutt, Rajani Palme: *India Today* (Bombay, 1949)

Dutt, Romesh: *The Economic History of India, Part II: In the Victorian Age. From the Accession of Queen Victoria in 1837 to the Commencement of the 20th Century* (London: Paul Kegan/Trench & Trübner, 1904)

Elsenhans, Hartmut: "Geschichte und Struktur des internationalen Systems", in: Haftendorn, Helga (ed.): *Theorie der Internationalen Politik. Gegenstand und Methoden der Internationalen Beziehungen* (Hamburg: Hoffmann & Campe, 1975); pp. 150-170.

Elsenhans, Hartmut: "Social Consequences of the NIEO. No Change for Continued Reformist Strategies in the Centre Without Structural Change in the Periphery", in: Jahn, Egbert; Sakamoto, Yoshikazu (eds.): *Elements of World Instability: Armaments, Communication, Food, International Division of Labour. Proceedings of the Eighth International Peace Research Association Conference* (Frankfort on the Main; New York: Campus, 1981); pp. 86-95.

Elsenhans, Hartmut: "Rising Mass Incomes as a Condition of Capitalist Growth: Implications for the World Economy", in: *International Organization*, 37, 1 (Winter 1983); pp. 1-38.

Elsenhans, Hartmut: "Absorbing Global Surplus Labor", in: *Annals of the American Academy of Political and Social Science*, 492 (July 1987); pp. 124-135.

Elsenhans, Hartmut: "English Poor Law and Egalitarian Agrarian Reform in the Third World", in: Elsenhans, Hartmut: *Equality and Development* (Dhaka: Center for Social Studies, 1992a); pp. 130-162.

Elsenhans, Hartmut: "Foundation of Development of the Capitalist World Economy", in: Elsenhans, Hartmut: *Equality and Development* (Dhaka: Center for Social Studies, 1992b); pp. 21-79.

Elsenhans, Hartmut: "Rent, State and the Market: The Political Economy of the Transition to Self-sustained Capitalism", in: *Pakistan Development Review*, 33, 4 (December 1994); pp. 393-428.

Elsenhans, Hartmut: *State, Class and Development* (New Delhi; London; Columbia, Mo.: Radiant; Sangam; South Asia Books, 1996).

Elsenhans, Hartmut: "The Relevance of the Principles of Keynesian Economics for the Transition to Capitalism in Today's Underdeveloped World", in: Davidson, Paul; Kregel, Jan A. (eds.): *Improving the Global Economy. Keynesianism and the Growth in Output and Employment* (Cheltenham: Edward Elgar, 1997); pp. 283-303.

Elsenhans, Hartmut: "Globalisation in a Labourist Keynesian Approach", in: *Journal of Social Studies*, 89 (July-September 2000); pp. 1-66.

Elsenhans, Hartmut: "Europe's Development and South Asia's Underdeveloped: Globalisation and the Role of the State", in: Vivekanandan, B.; Giri, D. K. (eds.): *Contemporary Europe and South Asia* (New Delhi: Concept Publishing Company, 2001); pp. 21-77.

Elsenhans, Hartmut: "Macroeconomics in Globalization: Productivity, Wages, Profits, and Exchange Rates in an Era of Globalization", in: *Brazilian Journal of Political Economy*, 22, 85 (January-March 2002); pp. 53-78.

Elsenhans, Hartmut: "A Convoy Model vs. an Underconsumptionist Model of Globalisation", in: *Convergence Asia*, 2, 2 (April-June 2004a); pp. 15-33.

Elsenhans, Hartmut: "L'OMC, la mondialisation et les nouveaux mouvements politiques du sud: le cas de l'Inde. The WTO, Globalisation and the New Political Movements of the South: Contradictions in Paradigm and their Impact on the Strategy of India", in: *Naqd - Revue d'études et de critique sociale*, 19/20 (2004b); pp. 227-264.

Elsenhans, Hartmut: "On the Development of World-System Studies", in: *Review (Fernand Braudel Center)*, 27, 1 (2004c); pp. 1-35.

Elsenhans, Hartmut: "A Benign Globalization vs. a Doomsday Scenario: How to Make Globalization in a Capital and Welfare Perspective", in: *Review of Global Politics*, 10 (2005); pp. 1-66.

Galeano, Eduardo: *Die offenen Adern Lateinamerikas. Die Geschichte eines Kontinents von der Entdeckung bis zur Gegenwart* (Wuppertal: Peter Hammer, 1973)

Hobson, John Atkinson: *Imperialism. A Study* (London: Allen & Unwin, 1938)

Ibn Khaldûn, Abd-al-Rahman: *Discours sur l'Histoire universelle. Al-Muqaddima. Traduction nouvelle, préface et notes par Vincent Monteil* (Paris: Sindbad, 1967)

Krugman. Paul R.: "Is Free Trade Passé?", in: *Journal of Economic Perspectives*, 1 (1987); pp. 131-144.

Lafay, Gérard: "Les origines internationales du chômage européen", in: *Revue d'économie politique*, 106, 6 (November-December 1996); pp. 943-963.

Lenin, Vladimir Ilyich: *Imperialism. The Highest Stage of Capitalism. A Popular Outline* (Moscow: Progress Publishers, 1964)

Lenin, Vladimir Ilyich: *Imperialism. The Highest Stage of Capitalism. A Popular Outline* (Moscow: Progress Publishers, 1964)

Luxemburg, Rosa: *Die Akkumulation des Kapitals. Ein Beitrag zur ökonomischen Erklärung des Imperialismus* (Berlin: Vereinigung internationaler Verlagsanstalten, 1923)

Magalhaes-Godinho, Vitorino: *L'économie de l'empire portugais, au XVe et XVIe siècles* (Paris: SEVPEN, 1969)

Mahon, James E.: "Was Latin America Too Rich to Prosper? Structural and Political Obstacles to Export-Led Industrial Growth", in: *Journal of Development Studies*, 28, 2 (January 1992); pp. 241-263.

Masselman, George: *The Cradle of Colonialism* (New Haven, Conn.; London: Yale University Press, 1963)

Mitteis, Heinrich; Lieberich, Heinz: *Deutsche Rechtsgeschichte* (Munich; Berlin: C. H. Beck, 1963)

Pollard, Sidney: *The Genesis of Modern Management. A Study of the Industrial Revolution in Great Britain* (London: Edward Arnold, 1965)

Porsnev, B.F.: *Die Volksaufstände in Frankreich vor der Fronde 1623-1648* (Leipzig, 1954)

Robinson, Ronald: "Non-European Foundations of European Imperialism: Sketch for a Theory of Collaboration", in: Owen, Roger; Sutcliffe, Bob (eds.): *Studies in the Theory of Imperialism* (London: Longman, 1972); pp. 117-140.

Romer, Paul M.: "Why Indeed in America? Theory, History, and the Origins of Modern Economic Growth", in: *American Economic Review*, 86, 2 (May 1996); pp. 202-206.

Steensgard, Niels: *The Asian Trade Revolution of the Seventeenth Century* (Chicago, London, 1974)

Usher, Dan: "The Dynastic Cycle and the Stationary State", in: *American Economic Review*, 79, 4 (December 1989); pp. 1031-1044.

Vernon, Raymond: "International Investment and International Trade in the Product Cycle", in: *Quarterly Journal of Economics*, 80, 2 (May 1966); pp. 190-207.

Wallerstein, Immanuel Maurice: *The Modern World-System. Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century* (New York; Orlando, Fla.: Academic Press, 1974)
Williams, Eric: *Capitalism and Slavery* (London: André Deutsch, 1964)