Mapping a New World Order
The Rest Beyond the West

Edited by
Vladimir Popov
Central Economics and Mathematics Institute, Moscow, Russia

Piotr Dutkiewicz
Political Science Department, Carleton University, Canada

Edward Elgar
Cheltenham, UK • Northampton, MA, USA
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INTRODUCTION

The United Nations Development Programme (UNDP) devoted the theme of the 2013 Human Development Report to ‘The Rise of the South,’ arguing that ‘never in history have the living conditions and prospects of so many people changed so dramatically and so fast’ as they have in the past two decades (UNDP, 2013, p. 11). As Vladimir Popov notes (in this volume), ‘for the first time in 500 years the average gap in per capita GDP has stopped widening and started to close for some major economies.’

Many have interpreted this trend as the sign of a ‘great convergence.’ Martin Wolf (2011) argued that ‘the huge economic advantage over the rest of humanity’ that ‘the peoples of western Europe and their most successful former colonies achieved’ – the ‘Great Divergence’ of the nineteenth and early twentieth centuries – ‘is being reversed more quickly than it emerged.’ Neo-modernization and ‘flat-world’ theories are reemerging with claims that ‘globalization’ is now leading to the long anticipated convergence or ‘catching up’ (Rostow, 1960) of the underdeveloped world with the wealth standards of the developed world (Firebaugh, 2000; Mahbubani, 2013; Sala-i-Martin, 2006; see also Milanovic, 2013).

There are contrarians who argue that we have seen analogous periods of declining inequality between countries over the past half-century, but these periods were short-lived and followed by sharp reversals. Most notably, in the 1970s there were high expectations that a large cluster of rapidly industrializing middle income countries – ranging from Brazil and Mexico to South Africa and Poland – were not only closing the gap in terms of levels of industrialization but were also catching up with the ‘developed’ countries in per capita income levels. But economic ‘miracles’ turned to ‘mirages’ with debt crises, International Monetary Fund (IMF)-imposed structural adjustment and the ensuring ‘lost development decade’ of the 1980s.
The short-lived nature of this catching up was consistent with world-systems and dependency theorists (Amin, 1974; Cardoso and Faletto, 1979; Chase-Dunn and Rubinson, 1977; Frank, 1967; Wallerstein, 1979) who pointed to systemic processes that ensured the reproduction of the overall global hierarchy of wealth – a core–periphery bimodal distribution for dependistas and a core–semiperiphery–periphery trimodal distribution for world-systemists. While from a world-systems perspective, it was possible (even expected) that individual small countries might move up (and down), the unequal overall hierarchy of per capita wealth on a global scale was expected to remain unchanged. As long as we were in a capitalist world economy, widespread long-term upward mobility of countries was not conceivable. Empirical studies that focused on the pattern of global inequality over the course of the twentieth century bore out this theoretical prediction of a relatively stable trimodal distribution of world population with only rare (and demographically small) cases of upward (or downward) mobility across the three zones (Arrighi and Drangel, 1986; see also Arrighi et al., 1996, 2003; Babones, 2005; Korzeniewicz and Martin, 1994; Korzeniewicz and Moran, 1997; Wade, 2004).

Thus, the fundamental question we address in this chapter is whether the latest round of catching up – this time characterized by demographically large, low income countries (most notably China and India) that are narrowing the per capita income gap with middle income countries – will prove as ephemeral as it was in the 1970s – a prelude to another ‘lost development decade’ – or whether we are witnessing an epochal shift; and if the latter, should this epochal shift be understood as a ‘great convergence’ or as a fundamentally different type of transformation.

Needless to say, our question cannot be answered by a linear projection of trends from the last two or three decades. If we understand reproduction and transformation of the global hierarchy of wealth as something rooted in the systemic processes of global capitalism, then we need a historically grounded theoretical lens and longue durée empirical perspective that encompasses the time-space of historical capitalism, including the period leading up to the ‘Great Divergence.’

Giovanni Arrighi’s (1994 [2010]) The Long Twentieth Century provides us with a historically grounded theoretical lens with which to address this question. Arrighi reconstructs the history of capitalism as being composed of four overlapping long centuries or systemic cycles of accumulation: (1) a Genoese-Iberian cycle, stretching from the fifteenth through the early seventeenth centuries; (2) a Dutch cycle, stretching from the late sixteenth through the late eighteenth centuries; (3) a British cycle, stretching from the mid eighteenth through the early twentieth centuries; and (4) a US cycle, stretching from the late nineteenth century to the present. Each cycle
is named after (and defined by) the particular complex of governmental and business agencies that led the world capitalist system, first toward material and then toward the financial expansions that jointly constitute the cycle.

Key elements of Arrighi’s theory of systemic cycles of accumulation (SCAs) are relevant to the question posed in this chapter. System-wide financial expansions – such as we are witnessing today – have characterized the end of all previous systemic cycles of accumulation; they have been a sign that the limits of the previous material expansion have been reached and they are one of the mechanisms through which the conditions for a new material expansion emerges (Braudel, 1984). Historically, periods of financial expansion have been periods of world-hegemonic transition, in the course of which a new leadership emerged interstitially and over time reorganized the system. Especially important for the question at hand, each of these financial expansion periods has been characterized by a shift in the geographical center of world capital accumulation – from Southern Europe to Northern Europe in the second half of the sixteenth century, to the British Isles in the mid eighteenth century, and to North America in the late nineteenth and early twentieth centuries.

Notwithstanding the use of the term systemic cycles of accumulation in The Long Twentieth Century, Arrighi builds an evolutionary theory in which world capitalism undergoes a fundamental transformation from one systemic cycle to the next. Each new long century and each new hegemony (Dutch versus British versus US) was based on a fundamental reorganization of the global system rather than the result of the rise and decline of great powers within an invariant structure (Arrighi, 1994 [2010]; Arrighi and Silver, 1999).

As Arrighi (1994 [2010], p. 374) notes, the role played by financial expansions in creating successive shifts in the geographical center of capital accumulation (and in the restarting of each major new phase of capitalist development) can be found in embryonic form in Capital. Marx (1867 [1992], pp. 755–6) took note of a historical sequence whereby expansions of the financial system recurrently played a key role in the transfer of surplus capital from declining to rising geographical centers of capitalist trade and production. Marx observed a sequence that started with Venice, which ‘in her decadence’ lent large sums of money to Holland; followed by Holland, which lent out ‘enormous amounts of capital, especially to its great rival England’ when the former ‘ceased to be the nation preponderant in commerce and industry’; and finally England, which was doing the same vis-à-vis the United States in Marx’s own day.

The question for us becomes whether the current ‘Rise of the Rest’ can be interpreted as the latest in a series of major shifts in the geographical
center of capital accumulation and fundamental reorganizations of the world capitalist system. In order to answer this question, the next sections analyses the global distribution of wealth from 1500 to 2008. Consistent with Arrighi’s theory of systemic cycles of accumulation, we find that the global hierarchy of wealth has been characterized by successive fundamental reorganizations. More specifically, we find that the global wealth distribution shifts from unimodal to bimodal during the Dutch-led financial expansion and transition to British-led world hegemony in the late eighteenth and early nineteenth centuries, and then from bimodal to trimodal during the British led financial expansion and transition to US world hegemony in the late nineteenth and early twentieth centuries. In the early twenty-first century, a quadrimodal distribution of global inequality is emerging.

Seen from this angle of vision, what we have been observing since the late 1990s – namely, the rise of China, India and a cluster of peripheral countries from the global South – may mark the dissolution of the relatively stable trimodal distribution of the twentieth century. In other words, we may be witnessing the fourth in a series of fundamental reorganizations of the global hierarchy of wealth. However, there is a fundamental difference between the current restructuring of the global hierarchy of wealth and the previous three in that it is the first time that the rising centers of capital accumulation are located outside the global North/West. Nevertheless, the current transformation in the pattern of global inequality is not occurring in the way expected by modernization theory. The distribution of wealth in the world economy is not converging toward a unimodal distribution, nor is China and India or the rest of the non-core catching up with the per capita wealth and consumption standards of core countries.

THE CHANGING DISTRIBUTION OF GLOBAL WEALTH IN THE LONGUE DURÉE

The empirical analysis of the chapter builds upon and extends Arrighi and Drangel’s (1986) method which was designed to assess the validity of Wallerstein’s claim that the capitalist world-economy is characterized by a stable trimodal structure. Arrighi and Drangel (1986) suggested that the existence (or non-existence) of distinct zones of the capitalist world-economy can be empirically observed through an examination of smooth distributions of world population along a log gross national income (GNI) per capita hierarchy. In order to develop a longue durée analysis of the changing global wealth hierarchy, we revised their method using (1) Gaussian kernel densities (instead of smoothed histograms) and
(2) a revised version of Maddison’s gross domestic product (GDP) and population estimates, where missing values are imputed using linear interpolation and extrapolation methods based on the growth rates of nearest neighbor as used by Bourguignon and Morrisson (2002).

As Figure 2.1 shows, the global distribution of wealth was not stable over the longue durée. It was a unimodal distribution from the sixteenth century to the nineteenth century, it moved from a unimodal to a bimodal distribution in the early nineteenth century (during the transition from the Dutch to the British world hegemony), and from a bimodal to a trimodal distribution in the late nineteenth century (during the transition from the British to US world hegemony). Furthermore, since the turn of the twenty-first century (during the crisis of the US world hegemony) the world economy has been moving from a trimodal to a new quadrimodal structure. To understand these successive transformations, the next four sections examine the relationship between these successive transformations in the global hierarchy of wealth and systemic cycles of accumulation.

POLARIZATION WITHOUT GREAT DIVERGENCE: UNIMODAL DISTRIBUTION OF THE LONG SIXTEENTH CENTURY

From the sixteenth century to the eighteenth century, the world economy had a clear unimodal distribution of wealth (Figure 2.1). The majority of the world population was stationed in the middle of the income distribution, constituting a singular mode. This unimodal distribution was a consequence of the low level of variation of wealth between different regions of the world in this early period of historical capitalism. While differentiation of wealth between different regions of the world was not high enough to disturb this unimodal structure until the nineteenth century, it was high enough to produce an emerging differentiation of wealth between world regions. Western Europe – that is, the Italian peninsula (Italy), the Low Lands (the Netherlands, Belgium) and the United Kingdom – was at the top of the wealth scale (with log GDP per capita values around 2.9–3.0 in 1500 and around 3.00–3.30 in 1700). The majority of the world population and most world regions – including countries like China, India, Ottoman Turkey and Russia – were stationed around 2.75 log GDP per capita from 1500 to 1700. At the bottom of the world hierarchy was a group of Latin American and sub-Saharan African regions/countries.¹

¹ For a further discussion and figures that show the global distribution of wealth presented in Figure 2.1 disaggregated by country, see Karatasli (forthcoming).
Source: Calculated based on Angus Maddison (2010), *Historical Statistics of the World Economy: 1-2008 AD*, available at www.ggdc.net/maddison/Historical_Statistics/horizontal-file_02-2010.xls. For details on the data and methods used to produce Figure 2.1, see Karatasli (forthcoming).

**Figure 2.1** Changing modes of wealth distribution in the world economy, 1500–2008
Interestingly, from 1500 to 1700, upward and downward mobility at the right tail of the unimodal distribution resembled the dynamics of systemic cycles of capitalist accumulation as explained by Arrighi (1994 [2010]). Former centers of systemic cycles of accumulation (that is, the northern Italian city states) were at the top of this hierarchy in the fifteenth century, but they gradually declined. The center of the new systemic cycle of capitalist accumulation and the emerging hegemonic power of the capitalist world economy of the era – the United Provinces/Holland – had the highest upward mobility from 1500 to 1700. The United Kingdom – center of the systemic cycle of accumulation and the world-hegemonic power of the long nineteenth century – was also gradually rising as the crisis of the Dutch hegemony started to unfold in the eighteenth century.

As Arrighi (1994 [2010]) observed, these transformations were linked to financial expansion processes initiated by declining centers of historical capitalism. From the mid-sixteenth century to the mid-seventeenth century, the financial expansion process was led by Genoese merchant-traders – who were the backbone of the Great Discoveries and the rise of the transatlantic trade by Iberian powers (that is, Spain and Portuguese) in the long sixteenth century. As the initiators of the financial expansion process gradually started to decline, the new recipients of global financial flows (that is, Dutch business-government complexes) started a new systemic cycle of accumulation on a global scale and experienced significant upward mobility.

At the lower end of this unimodal distribution, we see a group of African regions that were growing at the rate of the world average as well as some Latin American and Eastern European regions who were growing slightly faster than African regions. Considering that the capitalist world-economy had not yet incorporated African regions but only some Latin American and Eastern European regions (Hopkins and Wallerstein, 1982), it appears that in this early period of historical capitalism some peripheral regions of the capitalist world-economy (that is, American settler colonies) were doing relatively better than ‘external areas’ of the capitalist world-economy. More interestingly, we do not see significant downward mobility among East Asian colonies as a result of Portuguese expansion in the Indian Ocean or Dutch colonization of the Indonesian archipelago. These patterns are the opposite of the trends during the British systemic cycle of the long nineteenth century.

Asian economies did not experience significant downward mobility in this early period of historical capitalism because the Asia-centered world-economy was too large and too strong to be affected by activities of European merchants in this era. It would not be an exaggeration to suggest that European merchants only added new communities to the
already diverse and heterogeneous merchant populations in Asia (Braudel, 1984). While European military intrusion in Asia was much higher during the Dutch than the Genoese-Iberian systemic cycles, it still was not high enough to disarticulate the Asia-centered world-economy. Hence, despite gradual polarization, a Great Divergence process did not take place in this era.

FIRST GREAT DIVERGENCE: FROM UNIMODAL TO BIMODAL DISTRIBUTION OF WEALTH

From the eighteenth century to the mid nineteenth century (during the transition from Dutch to British world hegemony), the world economy gradually moved from a unimodal to a bimodal distribution (see Figure 2.1). This transition – analogous to Pomeranz’s (2000) Great Divergence process – was a consequence of a major bifurcation in the global distribution of wealth. This first Great Divergence emerged due to the upward mobility of Western Europe, especially the United Kingdom and some of the settler colonies of the British Empire (including the United States, Canada, Australia, New Zealand), which rapidly moved from the lower end of the global distribution of wealth to its higher end. Together with higher growth rates in Europe, this upward mobility constituted these ‘Western’ regions as a distinct cluster in the global distribution of wealth – widely labeled as the ‘core.’ The Rest of the world constituted a second distinct ‘peripheral’ mode of the world economy.

The effects of the transition from the Dutch to the British systemic cycle of accumulation on mobility at the higher end of the global wealth distribution were similar to the transition from the Genoese (Italian) to the Dutch systemic cycle of accumulation. In the 1700–1850 period, the leading center of the systemic cycle of capitalist accumulation and the declining world-hegemonic power (that is, United Provinces/Netherlands) initiated a financial expansion process and had lower growth rates on a logarithmic scale than most other core countries. Similar to its Dutch counterpart in the previous era, the British Empire – as the major recipient of global financial flows, the emerging center of the systemic cycle of accumulation, the initiator of industrial capitalism, and the new world-hegemonic power of the long nineteenth century – was rising to the top of the global wealth hierarchy together with some of its settler colonies. One of these colonies, the United States, not only gained independence during this transition period, but would become the world hegemon in the next long century.

There are two interesting patterns regarding the mobility at the middle
and the lower end of the global wealth distribution from 1700 to 1850. First, the rise of the ‘West’ in 1700–1850 did not coincide with a simultaneous decline of the ‘Rest’ of the world as a whole. On the contrary, the majority of world regions remained in their relative positions from 1700–1850. This can partly be explained by the limited expansion of the capitalist world economy in this period. After all, in the 1700–1850 era, the European-centered capitalist system – Wallerstein’s capitalist world-economy (with a hyphen) – had not yet incorporated the China-centered world-system in East Asia, the Southeast Asian hinterland of this system, or sub-Saharan Africa (except for some areas on the Western African coast). In addition to the Americas (which had already been incorporated), the only new areas incorporated during the transition from the Dutch to the British systemic cycle were parts of the West African coast, Russia, the Ottoman Empire and the Indian subcontinent.

Second, unlike the previous 1500–1700 era, peripheral regions of the capitalist world-economy were no longer doing relatively better than the external areas of capitalism. On the contrary, the newly incorporated and peripheralized regions of the world-economy experienced a significant loss of wealth and economic power. The clearest example is the Indian subcontinent. The military, political and economic conquest of India took place during the second half of the eighteenth century (see Arrighi et al., 1999, p. 223). These newly incorporated and peripheralized regions of the Indian subcontinent – including India, Pakistan, Sri Lanka, Bangladesh and Nepal regions – experienced a significant downward mobility in the global distribution of wealth, which started the gradual disarticulation of the Asia-centered world-economy. This was how a bimodal distribution of wealth emerged in the midst of the Dutch-led financialization and the advance of industrial capitalism.

SECOND GREAT DIVERGENCE: FROM BIMODAL TO TRIMODAL DISTRIBUTION OF WEALTH

While the world-economy had a relatively stable bimodal distribution from the mid to the late nineteenth century (partly resembling the center-periphery structure as described by dependency theorists), at the turn of the twentieth century a trimodal distribution of global wealth emerged (resembling the core–semiperiphery–periphery structure postulated by world-systems theory). This transition from a bimodal to a trimodal distribution occurred due to a second bifurcation among non-core locations that took place during the crisis of British world hegemony beginning around the 1873/96 depression and the rise of the British-led financial
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expansion (see Figure 2.1). This second bifurcation divided the periphery into two distinct groups. The lower half (the new periphery of the long twentieth century) was mainly composed of sub-Saharan African regions and the South and East Asian regions/countries (the Indian subcontinent and China and its former hinterland). The upper half (the emergent semiperiphery) was mainly composed of countries in Southern Europe (Italy, Spain, Greece), Eastern Europe and Western Asia (including Russia and Ottoman Empire/Turkey) and Latin America.

During the transition from British to US world hegemony the ongoing rise of the core went hand in hand with a sharp economic decline of East Asia and South Asia. This rapid decline was a consequence of the British Empire’s ability to subordinate and disarticulate the China-centered East Asian world-economy (Arrighi et al., 1999, p. 225) and the incorporation of East Asia into the British-centered capitalist system using its military might (Arrighi, 2007).

Hence, there is some truth in Andre Gunder Frank’s claim that the Chinese decline started only after 1860, not before (Frank, 2015, pp. 3–8, 100). While the First Opium War of 1839–42 and the Nanjing Treaty of 1842 weakened the Chinese Empire, the real decline did not come until the Second Opium War of 1856–60, interlinked with social rebellions and another round of military conflicts. These struggles were decisive in undermining the traditional economic structures of the Qing dynasty, producing the rapid decline of China and disarticulating the China-centered East Asian world-economy in the last quarter of the nineteenth century (Arrighi, 2007, pp. 336–44; Frank, 2015, p. 100). Together with the imperial race for colonization of sub-Saharan Africa during the last quarter of the nineteenth century and the continued exploitation of the Indian subcontinent, the decline of the China-centered East Asian world-economy split the periphery into two zones, creating the peripheral and the semiperipheral regions of the twentieth century.

THIRD GREAT DIVERGENCE: FROM TRIMODAL TO QUADRIMODAL DISTRIBUTION OF WEALTH

The three-tiered global wealth structure emerged in the late nineteenth century, stabilized after the terminal crisis of the British world hegemony (the 1929 Great Depression) and remained relatively stable until the 1990s. Despite the expectations of modernization theorists and all developmentalist attempts, the gap between core, semiperipheral and peripheral locations did not disappear in the twentieth century. There was a strong stability in the trimodal structure (Arrighi and Drangel, 1986). While the
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semiperipheral mode came close to catching up to the core mode in the 1968–73 era, in the course of the next two decades, the trimodal distribution was restabilized when the world-hegemonic power and its allies started to restructure the global political-economy by switching from ‘development project’ to ‘the globalization project’ (McMichael, 2012). In both the Reagan and Clinton eras, these transformations went hand in hand with financial expansion processes led by the world-hegemonic power.

Like all previous financial expansion periods, the US-led financial expansion fundamentally changed the global hierarchy of wealth. The relatively stable trimodal distribution started to dissolve by the late twentieth and early twenty-first century, producing a quadrimodal distribution of global wealth (see Figure 2.1). The transition from the trimodal to quadrimodal distribution has similarities as well as stark differences with previous transition periods. While the key similarity is the role played by the financial expansion process led by the declining centers of capitalism, the main difference is the geo-economic position of the recipients of global financial flows. Unlike the previous Genoese, Dutch or British financial expansion periods, this time it was not core or semiperipheral ‘Western’ regions/countries (such as the United Kingdom in the late eighteenth century or the United States in the late nineteenth century) which attracted global financial flows and managed to start a new system-wide expansion of trade and production but a cluster of peripheral East and South Asian countries, including those with massive populations such as China and India (see Palat, 2012). Similar to previous financial expansion periods, this led to a rapid upward mobility of the new centers of material expansion of trade and production in the late twentieth and early twenty-first centuries. Because of their unique geo-economic locations, their gigantic populations, and their South–South commerce and production networks, upward mobility of these regions resulted in the advance of a cluster of peripheral countries to the middle of the global income distribution.

This trend, however, does not indicate the upward mobility of the world periphery as a whole. Similar to analogous past periods, we witness another major bifurcation of the periphery. The upward mobility of some East and South Asian countries (for example, China, India, Thailand) and some African countries (for example, Botswana, Lesotho) went hand in hand with significant downward mobility – sometimes even in absolute log GDP per capita level – of sub-Saharan African countries (such as Zaire, Niger, Burundi, Central African Republic, Liberia, Somalia), some Central/ South American countries (such as Haiti, Nicaragua) and some Middle Eastern countries (such as Iraq). Hence, it would be a mistake to conceive of this process as a great convergence. Rather than producing a unimodal
distribution, this double movement of upward and downward mobility is transforming former peripheral and semiperipheral zones and producing a quadrimodal distribution with a four-tiered structure consisting of a lower periphery, an upper periphery, a new expanded semiperiphery and core regions. Contrary to the predictions of modernization theory, however, there is not much change in the size and composition of the core locations either (Karatasli, forthcoming). In sum, in the early twenty-first century, there is no ‘catching up’ with core locations but instead another reconfiguration of the hierarchy of wealth among non-core locations.

CONCLUSION

Seen from the theoretical angle of vision taken in this chapter, the current ‘rise of the Rest’ can be interpreted as the latest in a series of major reorganizations of the global hierarchy of wealth over the longue durée of historical capitalism. The relatively stable trimodal distribution of the twentieth century has broken down and, even if rising countries such as China and India experience serious slowdowns and crises – as will almost certainly be the case – we are unlikely to return to a stable trimodal pattern. Although such crises should put to rest neo-modernization projections of an impending unimodal distribution and ‘catching-up’ of the Rest with the global North/West, the transformation in the global hierarchy of wealth that has taken place in the early twenty-first century is far more fundamental (in demographic and wealth generation and so on) than the ‘catching up’ that occurred in the 1970s.

To put it within the context of Arrighi’s theory of systemic cycles of accumulation, whereas the ‘catching up’ development of the 1970s was one of the many signs of the ‘signal crisis’ of US world hegemony, the more fundamental transformation of the early twenty-first century is one of the many signs that we have entered the ‘terminal crisis’ period of US world hegemony. In the 1980s and 1990s the United States (and the global North/West more generally) was able to reflate its power temporarily – and experience a belle époque – among other things by becoming the center of a major system-wide financial expansion. But financial expansions – as discussed above – have historically been among the main mechanisms through which new geographical centers of capital accumulation have emerged.

If this analysis is correct, then the crises we will be witnessing will not herald a return to a stable trimodal distribution of income, as happened in the 1980s and 1990s. At the same time, it is important to point out that we are not arguing that a stable quadrimodal distribution of global wealth
has emerged. We have not entered a new period of world hegemony; rather, we have entered a (potentially long) period of hegemonic breakdown and systemic chaos. We may very well see significant turbulence in the global hierarchy of wealth interlinked with significant turbulence in the world-economic and political system as a whole. To paraphrase Antonio Gramsci (1971, pp. 275–6), ‘the old is dying and the new cannot be born; in this interregnum a great variety of morbid symptoms appear.’ The more the global North/West (and the United States in particular) struggle to maintain preeminent status in the wealth hierarchy, the more these morbid symptoms will multiply. Likewise, the longer that all countries seek to follow the ecologically destructive Western development model, the more these morbid symptoms will multiply (see Arrighi and Silver, 1999, pp. 288–9).

The emergence of a stable new global order will require an even more profound social, political and economic reorganization of the world system than has been the case in past centuries. For the ‘Rise of the West’ was premised on a model of capitalist accumulation that externalized the costs of reproduction of nature and of labor for the vast majority of the world’s population. Accommodating the ‘Rise of the Rest’ – that is, accommodating all of humankind – will require an approach to development that prioritizes the protection of nature and human livelihoods over profits – in other words, a dramatically different model than the one that has prevailed over the longue durée of historical capitalism.

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