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GLOBAL CAPITALISM AND THE PERSISTENCE
OF THE NORTH-SOUTH DIVIDE

Few would deny that over the last 30 years world capitalism has undergone major transformations. Yet, there is little agreement on the nature and consequences of these transformations. In two articles recently published in *Science & Society*, William Robinson, Jerry Harris and Roger Burbach advance the thesis that the transformation constitutes one of those rare "epochal shifts" that revolutionize the way in which world capitalism functions. Four main changes are singled out to justify the claim.

The first and apparently most fundamental is what Robinson and Harris call "the transition from the nation-state phase to a new transnational phase of capitalism." As they go on to explain, "In the nation-state phase, the world was linked together via commodity and financial flows in an integrated international market. In the new phase, the worldwide social linkage is an internal one springing from the globalization of the production process itself and the supranational integration of national productive structures" (2000, 16).

The second change is the transition from an *international* to a *transnational* process of class formation. In the earlier, *international* process, the "system of nation-states . . . mediate[d] relations between classes and groups, including [relations among] capitals and national bourgeoisies." In the new, *transnational* process "economic and related social, political and cultural processes — including class formation — supersede nation-states. . . . resulting in the accelerated division of the world into a global bourgeoisie [or transnational capitalist class (TCC)] and a global proletariat" (Robinson and Harris, 2000, 16-17).

The third change is the declining significance of the geographic division of the world into North and South, Core and Periphery, First and Third Worlds.

The concepts of core and periphery, or North and South, are increasingly not geographic *per se*, as much as they are social class in character, as the global economy creates new variation, specialization and asymmetries that cut across nations and regions. . . . Of course . . . there are still poor and very rich countries. But the trend is one in which there is ever growing poverty and marginalization in the First World, while the Third World has a large number of *nouveau riche* who are able to buy and sell in the global economy, creating vast fortunes that match or rival many in the First World. (Burbach and Robinson, 1999, 28; see also Robinson, 1996; Robinson and Harris, 2000, 50.)

Finally, there is the increasing class consciousness of the TCC, as witnessed by the "rise of a transnational state (TNS) apparatus." "A transnational working class" — we are told — "is increasingly a reality [as] a class-in-itself." But "it is not yet for-itself." The TCC, in contrast, "is increasingly a class-in-itself and for-itself." It "has become conscious of its transnationality, and has been pursuing a class project of capitalist globalization, as reflected by the rise of a transnational state under its auspices" (Robinson and Harris 2000, 22–23).

In Robinson's and Harris' scheme of things, these four transformations are conceptually distinct but causally interrelated. The main thrust of their argument is that the transnationalization of production processes has brought about an irreversible mutation in processes of class formation and uneven development. As a result of this mutation, differences of geopolitical location become less and less significant in segmenting the world bourgeoisie and the world proletariat into separate national/civilizational status groups. Both the world bourgeoisie and world proletariat are thus becoming transnational classes. But whereas the transnational proletariat has not yet turned into a class-for-itself, the transnational bourgeoisie already has, as witnessed by the formation of a TNS apparatus as an instrument of its global rule.

I have no objection to the idea that world capitalism is today integrated in ways qualitatively different than in the past. On the contrary, it is now more than 20 years since I underscored how the spread of multinational corporations involved a kind of supranational integration of national productive structures that was fundamentally different from earlier forms of integration via commodity and financial flows. Focusing specifically on the differences between the supra-nationality of high finance and that of multinational corporations, I drew a distinction between the two that in key respects resembles Robinson's and Harris' distinction between a "nation-state phase" and a "transnational phase" of capitalism.

Once it enters the phase of "intensive" expansion . . . the big multinational company promotes its own more or less advanced internal division of labor, which tends to cut across the territorial division of the world into states and nations. High finance and its progenitors . . . far from developing within themselves an international division of labor, owed their very existence to the division of the world into separate entities, each with its internal division of labor. They thereby had an influence upon the way in which the various productive activities were distributed among the nations; but it was an indirect influence, exerted through market forces and mediated . . . by inter-state relations. Finance capitalism and multinational capitalism are thus antithetical concepts, in that the former represents an "anarchical-informal" mode, and the latter a "hierarchical-formal" mode, of co-ordination of the international division of labor. (Arrighi, 1983 [1978], 143.)

On the basis of this distinction, I went on to argue that the kind of world-economic integration via direct investment that had developed under U. S. hegemony was less likely to break down and lead to a generalized state of war among capitalist powers than the kind of world-economic integration via commodity and financial flows typical of 19th-century British hegemony. Moreover, over time the consolidation of this new form of world-economic integration could be expected to weaken nation-states as the primary form of political organization of world capitalism (Arrighi, 1983 [1978], 146-8). It followed from this argument that the very theories of "imperialism" that had been most successful in predicting trends in the first half of the 20th century (most notably, Hobson, 1932 [1902]; Hilferding, 1981 [1910]; and Lenin, 1952 [1916]) had become hopelessly obsolete. They had become obsolete for the simple reason that world capitalism as instituted under U. S. hegemony was no longer generating the tendency towards war among capitalist powers that constituted their specific *explanandum*. And to the extent that the system of nation-states was actually ceasing to be the primary form of political organization of world capitalism, this obsolescence would become permanent (Arrighi, 1983, 149-173).

Although not directed specifically at theories of imperialism, the Robinson-Harris-Burbach diagnosis of on-going transformations of global capitalism confirms the validity of these conclusions. Nevertheless, these authors go much further than I would even today in inferring from the new forms of integration of world capitalism the emergence of a TCC, a TNS apparatus and a world proletariat as a class-in-itself. It is one thing to maintain (as I did 20 years ago and still do) that these new forms of integration have made wars obsolete means of inter-capitalist competition. But it is an altogether different thing to maintain (as Robinson, Harris and Burbach do) that the emergence of these new forms have resulted "in the accelerated division of the world into a global bourgeoisie and a global proletariat" and in a corresponding declining significance of geopolitical divisions within each of these two global classes.

This contention rests on no direct evidence. Robinson, Harris and Burbach do not document the formation of transnational classes as such (the second and third transformations in my summary of their thesis) but the transnationalization of capitalism (the first change). Since capitalism has become more transnational — their argument goes — so too must the process of class formation.

A first problem with this argument is that the evidence of a dramatic increase in the transnationalization of capitalism in the 1980s and 1990s is not as strong and unambiguous as Robinson *et al.* would like us to believe. The data they give for global outflows of foreign direct investment (FDI) start in 1983 (Burbach and Robinson, 1999, 16; Robinson and Harris, 2000, 32–33). But 1983 is a very misleading benchmark from which to assess trends in FDI, because over the preceding four years FDI had collapsed — its value in 1983 being less than half what it had been in 1979 (Dunning, 1988, 91; Arrighi, 1994, 369). Global flows of FDI did increase in the 1980s and 1990s, but not as rapidly as they had in the 1960s and 1970s and certainly not as rapidly as the data presented by Robinson *et al.* indicate.

What did increase dramatically in the 1980s and 1990s are financial flows across state boundaries and the importance of private high finance in the regulation (and de-stabilization) of processes of capital accumulation on a world scale. Surprisingly, Robinson and Harris (2000, 24, 36–37) take this development as further evidence of the “transnationalization” of capitalism. I say surprisingly because, according to their definition, transnationalization refers to integration via FDI as distinct from integration via commodity and financial flows. In documenting empirically the trend towards transnationalization, however, Robinson *et al.* abandon the distinction between old and new forms of integration, thereby exaggerating the extent to which world capitalism has entered a qualitatively new stage.

But even if we assume that the transnational character of capitalism has increased further in the 1980s and 1990s — as to some extent it undoubtedly has — there is a second and more serious problem with the argument that this increase can be taken as evidence of an accelerated division of the world into a global bourgeoisie and a global proletariat as classes-in-themselves. This more serious problem is that the significance of North–South divisions in the global social structure has certainly not decreased and has probably increased in the age of so-called globalization. The direct evidence that Robinson *et al.* provide in support of their contention that conditions of wealth and poverty in the former First and Third Worlds are converging (Burbach and Robinson, 1999, 28–9) or are already not all that different (Robinson and Harris, 2000, 50) is anecdotal or based on merely local observations. If there actually were any such convergence, it would show up in the average per capita income (as measured by GDP per capita) of Third

World countries relative to that of First World countries. Unfortunately for Third World peoples, however, all available statistics show no such convergence (Arrighi, 1991; Korzeniewicz and Moran, 1997; Milanovic, 1999; Arrighi and Silver, 2000). Suffice it to mention that in 1998 the average per capita income of Third World countries (including China) was only 4.8% of the per capita income of First World countries, that is, almost exactly what it was in 1960 (4.7%) or in 1980 (4.5%). Indeed, if we exclude China from the calculation, the percentage shows a steady decrease from 6.7 in 1960, to 6.4 in 1980 and 5.9 in 1998 (calculated from World Bank 1984 and 1999).

In short, in spite of growing individual/local poverty and marginalization in the former First World and of old and new indigenous wealth and corporate power in the Third World, there are no signs of any narrowing of the gap between First World wealth and Third World poverty. The implications for processes of class formation on a world scale of this remarkable geopolitical stability of the global hierarchy of wealth are straightforward. The emergence of new forms of global integration of production processes via direct investment, combined with the reemergence of older forms via financial flows, has consolidated rather than undermined the fundamental difference in the material conditions of class formation that separates the North from the South.

A recognition of the persistence of the North-South divide is essential to assess accurately the extent and nature of the fourth major change that defines Robinson's and Harris' "epochal shift" in the development of world capitalism: the rise of a transnational state (TNS) apparatus. Two issues arise in this connection. One is whether a TNS apparatus has actually emerged. And the other is whether this emergence can be taken as the expression of a "class project of capitalist globalization" pursued consciously by the TCC, as Robinson and Harris claim.

On the first issue I have no disagreement with the idea that a world state is indeed in formation and may eventually displace the system of nation-states as the primary political organization of world capitalism. My disagreement on this issue concerns the temporal scale of the ongoing transition from the nation-state phase to a possible but by no means certain future world-state phase of capitalism. As argued at length elsewhere, world capitalism was originally embedded in a system of city-states and the transition from the city-state phase to the nation-state phase of capitalism stretched over several centuries. For at least two centuries in the course of this transition, city-states (most notably Venice) or business diasporas originating in city-states (most notably the Genoese) remained protagonists of the capitalist dynamic, while the leading agency of the transition itself was a state (the United Provinces) that combined characteristics of the declining city-states and of the rising nation-states (Arrighi, 1994, 11, 36-47, 82-158; Arrighi and Silver

et al., 1999, 38–58). It seems to me not just possible but likely that the ongoing transition from the nation-state to a world-state phase of capitalism may also take, if not several centuries, at least most of the present century or more. Equally possible and likely is that at least some nation-states or hybrid forms of nation- and world-state will be the protagonists and leaders of the transition.

These possible futures bring us to the second issue raised by Robinson's and Harris' thesis of the rise of a transnational state. Their contention that the rise has occurred under the auspices of the TCC does not stand up to their own evidence. The evidence they provide (Robinson and Harris, 2000, 27–31) consists of a long but heterogeneous list of institutions. Most of these institutions were created by the U. S. government in the immediate post-Second World War period as an expression and instrument of U. S. world hegemony. These include not just the Bretton Woods and United Nations institutions but also the original nuclei of what later became the Organization of Economic Cooperation and Development (OECD), the European Union, and the World Trade Organization (WTO). Since all these institutions or their original nuclei were in place *before* the formation of the TCC — a post-1960 phenomenon, by Robinson's and Harris' own account — their rise could not possibly be the expression of the class consciousness of a TCC that had not yet formed even as a class-in-itself. Far from being created under the auspices of a TCC, these institutions were put in place by a particular national government (the United States) in a successful attempt to solve the contradictions of world capitalism as instituted under British hegemony (Arrighi and Silver, *et al.*, 1999, 79–94, 202–211). Far from being a creation of a TCC, they were part of the conditions of its subsequent emergence.

The institutions in Robinson's and Harris' list that actually came into existence *after* a TCC had begun to emerge are a handful. Among them, only the Group of Seven (G-7), the Trilateral Commission and the World Economic Forum (WEF) stand out as truly significant. Moreover, since the WEF has replaced the Trilateral Commission, we are left with only a pair of institutions (the G-7 and the Trilateral Commission at first, the G-7 and the WEF more recently) as the *possible* expression of a class-conscious TCC. In reality, however, both institutions (the G-7 in particular) appear to be far more the expression and the instrument of the continuing dominance in the global political economy of the United States and its closest Northern allies than the instrument of rule of a global capitalist class increasingly unified by an allegedly declining significance of the North–South divide.

I am not denying that in key respects the G-7 and the WEF, along with some of the older institutions such as the International Monetary Fund (IMF) and the World Bank, can be characterized as committees for managing the common affairs of the world bourgeoisie — a characterization that I have myself used for quite some time (see for example Arrighi, 1991, 64).

But in my view North-South distinctions remain as central as ever, particularly in shaping processes of world-state formation. As the implosion of the WTO talks in Seattle has shown in exemplary fashion, the struggle over the social orientation of the emerging world-state is as much a struggle between North and South as it is between capital and labor (Silver and Arrighi, 2001). Indeed, since the possessors of capital continue to be overwhelmingly concentrated in the North, while a vast and ever-growing majority of the world's proletariat is concentrated in the South, the two struggles are in good part obverse sides of the same coin.

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CAPITAL, TERRITORY, AND HEGEMONY OVER THE *LONGUE DUREE**

We live in an "age of transition" (Hopkins and Wallerstein, 1996). That much is widely agreed. But a transition from what, and much more importantly, *to what?* In such ages of transition social researchers are easily blinded by the most dramatic aspects of capitalist restructuring. In this respect, the turn-of-the-21st-century debate over the future of capitalism replays the turn-of-the-20th-century debate over the future of capitalism, with leading intellectuals identifying one or another element of the emerging order and constructing a general model from it: the growing power of finance capital (Hilferding); the paramount importance of geographical expansion into the previously non-capitalist world (Luxemburg); "monopoly capitalism" and the centrality of inter-imperialist rivalry (Lenin); the phenomenon of inter-imperialist cooperation, so-called "ultra-imperialism" (Kautsky); "state capitalism" (Bukharin).

Common to all these interpretations is the transformation of contemporary events into long-run trends. And so it is with William I. Robinson's and Jerry Harris' thesis on globalization (2000). In their view, the relationship between state and capital that has characterized capitalist development over the past five centuries is coming unraveled. In its place, multiple "national" states are giving way to a single "transnational state" and multiple "national" bourgeoisies are giving way to a single "transnational capitalist class" (TCC).

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