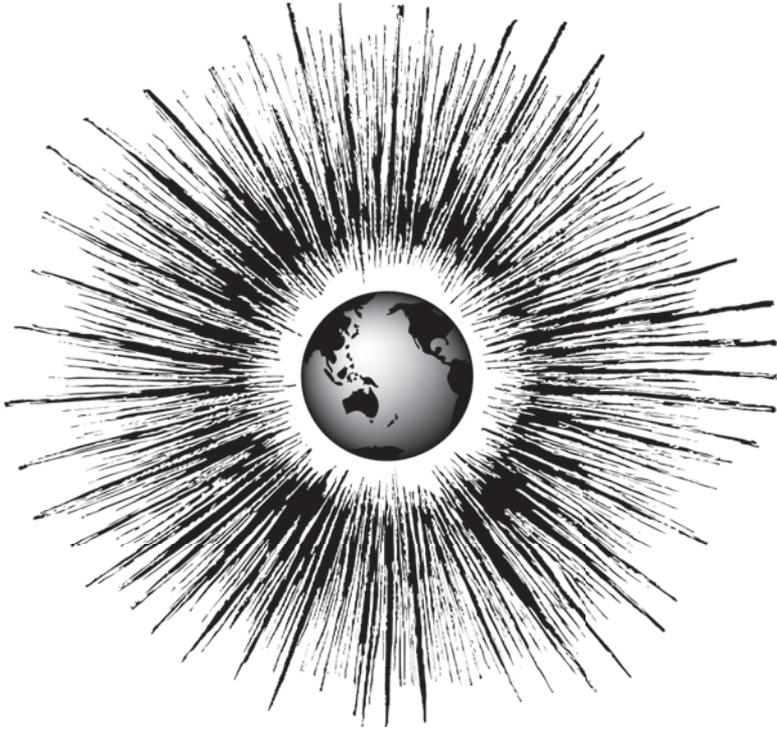


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## JWSR EDITORIAL POLICY

The main editorial goal of the *Journal of World-Systems Research* is to develop and disseminate scholarly research on topics that are relevant to the analysis of world-systems. We especially want to include works that proceed from several different theoretical stances and disciplines. These include, but are not limited to, civilizationists, evolutionary approaches, international political economy, comparative, historical and cultural analysis. We seek the work of political scientists, historians, sociologists, ethnographers, archaeologists, economists and geographers.

We especially encourage works that take theory seriously by confronting problems of conceptualization and making definitions of concepts explicit, by formulating hypotheses, constructing axiomatic theories and causal models. Theoretical research programs that combine theory construction with comparative research are badly needed to take the world-systems approach beyond the stage of a perspective.

We also want to encourage the application of comparative, quantitative and network-analytic methods to world-systems research, though we will certainly also publish pieces that do not use these methods. Any empirical study that is deemed relevant to world-systems analysis may be published even if it uses a very different conceptual framework.

And finally we also want to publish discussions of future trajectories and options for the modern world-system and considerations of what can be done to create a more humane, peaceful and just world society.

## THE PURPOSES OF JWSR ARE

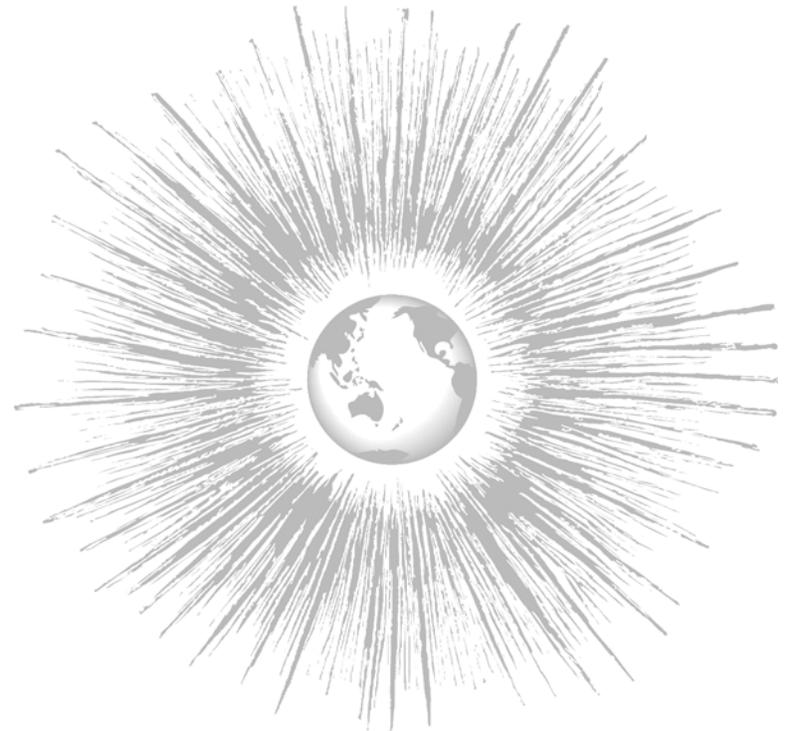
to produce a high quality publication of world-systems research articles; to publish quantitative and comparative research on world-systems; to publish works of theory construction and codification of causal propositions; to publish data sets in connection with articles; to publish reviews of books relevant to world-systems studies; and to encourage authors to use the hypermedia advantages of electronic publication to present their research results.

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# ETHNIC CONFLICT IN THE MODERN WORLD-SYSTEM: THE DIALECTICS OF COUNTER-HEGEMONIC RESISTANCE IN AN AGE OF TRANSITION

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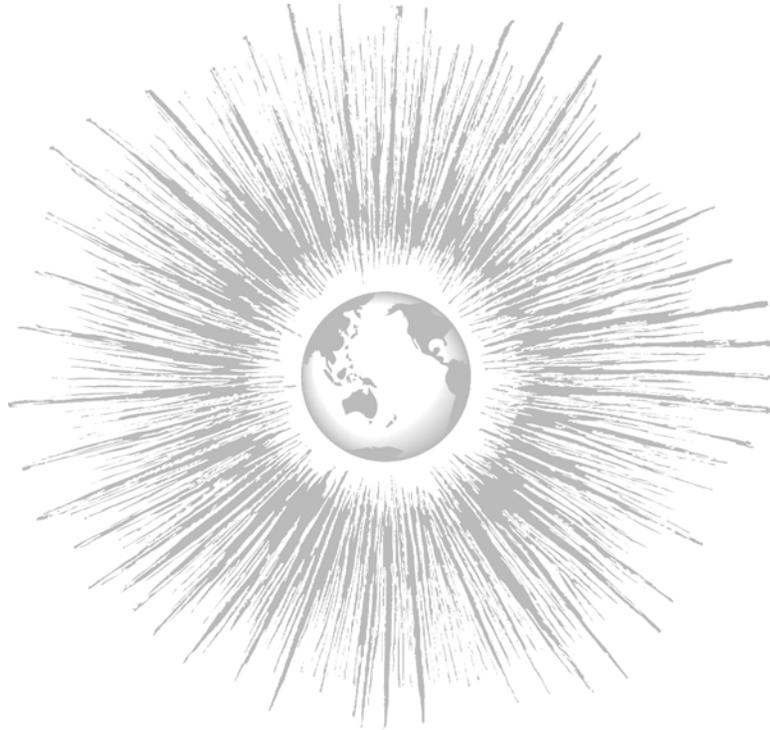
Wilma A. Dunaway

These multiple civilizations...are indeed the foci of important antisystemic movements. We may deconstruct more rapidly in their wake than without them. Indeed, can we deconstruct without them? I doubt it (Wallerstein 1991b:230).

## INTRODUCTION

The modern world-system could not exist or survive without hegemonic ideologies that some have labeled “western civilization” (Huntington 1996) or “modernity” (Bell 1976, Friedman 1989, Taylor 2000) and that Wallerstein (1983) terms the “capitalist civilizational project,” that universalistic aggregate of beliefs, ideologies, and practices related to:

1. endless accumulation through economic growth and maximization of profits;
2. the commodification of everything;
3. geographical expansion to widen and deepen surplus extraction;
4. ecological imperialism, rationalization, and homogenization;
5. universalization of culture and knowledge production;
6. mythical construction of nations and peoples that are politically integrated into a tri-modal interstate system led by a hegemon;
7. racism and sexism to structure hierarchies of inequality;
8. repeated cycles of innovation, change, and expansion.



## ABSTRACT

This article recasts debates about the extent and causes of ethnic conflict within the world-system framework. Ethnification and indigenism are inherent structural contradictions of the modern world-system, and there is the highest incidence of ethnic resistance at the peak of a hegemon's ascendancy. Consequently, there has not been a dramatic increase in ethnic conflict since the end of the Cold War. However, ethnic mobilizations pose

an increased challenge to the continued functioning of the world-system during the current age of transition. Ethnic mobilizations erode the capitalist civilizational project and increase costs to the system in ways that exacerbate the growing profit squeeze. I identify five ways in which the counter-hegemonic mobilizations of ethnic minorities are costly to the world-system and can push it toward bifurcation and transformation.

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Wilma A. Dunaway  
Department of Sociology  
Virginia Polytechnic Institute & State University  
Blacksburg, VA 24061-0137  
[wdunaway@vt.edu](mailto:wdunaway@vt.edu)  
<http://www.cas.vt.edu/sociology/>

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Paradoxically, the world-system tends toward cultural hegemony while at the same time being characterized by relative autonomy of culture. Even though it has “transformed and circumscribed civilizations,” the world-system has not obliterated the diversity of ethnicities and national cultures (Wallerstein 1991b: 192). Consequently, resistance against cultural universals has always been a central component of a majority of indigenous and ethnic struggles (Friedman 1993). However, any serious erosion or weakening of the capitalist civilization project is a threat to the survival of the world-system.

Given this structural contradiction between a totalizing civilizational project and the tendency toward heterogeneity, this paper will explore four questions:

1. How does the capitalist civilizational project create ethnic conflicts and ethnic mobilizations?
2. When does ethnic conflict increase?
3. How do indigenism and ethnification threaten or weaken the hegemony of the capitalist civilizational project?
4. Will indigenous/ethnic conflict push the world-system toward the bifurcation point and/or toward crisis leading to systemic change?

#### IS THERE INCREASED ETHNIC CONFLICT IN THE WORLD-SYSTEM?

There is a current scholarly preoccupation with describing ethnic and indigenous resistance as new phenomena that have suddenly become more dangerous. Many writers contend that postmodernism (Friedman 1992) or new forms of economic and cultural “globalization” (Smolicz 1998; Shulman 1998) are causing increased ethnic fragmentation all over the world. The United Nations (UNHCR 2002) posits “ethnic conflict” within and between adjacent countries as the predominant form of warfare that will occur in the 21<sup>st</sup> century. The Minorities at Risk Project (2002) provides the following empirical data about world levels of ethnic conflict.<sup>1</sup>

1. Between 1955 and 1996, there were 239 wars, regime transitions, and genocides in which inter-ethnic conflicts were the causative factors (Harff and Gurr 1997:5).
2. Between 1980 and 1996, 60 distinct ethnic and religious minorities were victimized in wars and geno/politicides (Harff and Gurr 1997:8–10).

<sup>1</sup> The Minorities at Risk Project defines “ethnic conflict” as (a) groups that are politically and/or collectively resisting state policies, (b) groups at risk of or that have been victimized by serious state repression, (c) violent or nonviolent collective conflict between groups, and (d) groups that engage in separatist movements.

**Table 1 – Number of New Ethnic Groups Involved in Ethnopolitical Conflict, 1945–1999**

Region	1945	1989		1999	
	# Conflicts	# Conflicts	% Change	# Conflicts	% Change
Europe	7	7	0	10	+43
Middle East	6	13	+117	6	–54
Asia	12	20	+67	28	+40
Africa	1	17	+1700	23	+35
Latin America	0	23	+2300	3	–74
World	26	62	+139	70	+13

*Source:* Analysis of data from the Minorities at Risk Project reported in Gurr (1994: Table 1).

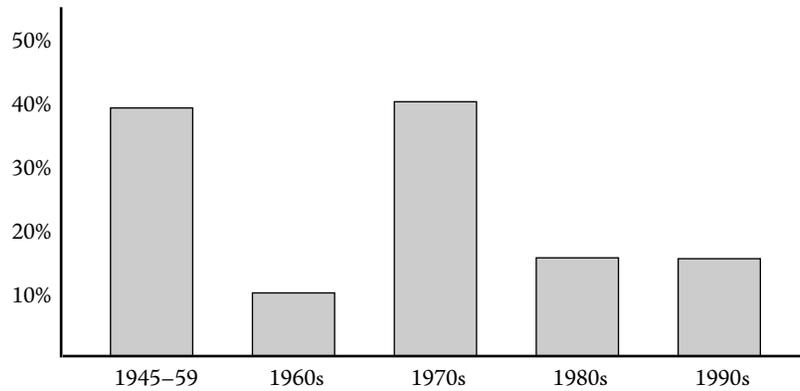
*Note:* Ethnopolitical conflict is defined as political rioting, local rebellions, guerilla activity, civil war, or inter-communal warfare. Groups participating in more than one type of conflict in a decade are counted only once. Conflict that was begun in a previous decade is not counted as a new conflict in the next decade.

3. At the end of the 1990s, there were 275 groups in 116 countries—representing nearly one-fifth of world population—at risk of (a) violent repression from their national governments, (b) initiating open rebellion against a national government controlled by representatives of another ethnic group, or (c) engaging in violent collective action against other groups (Gurr 1999: Table 1).
4. At the turn of the 21<sup>st</sup> century, one-quarter of the population of Latin America and the Caribbean and one-third of the population of Africa and the Middle East are at risk of open ethnic conflict (Gurr 1999: Table 3).

Are we now seeing a dramatic “renaissance of ethnicity” (Friedman 1988: 453) that exceeds what is typical of the world-system? Does this level of conflict represent an increase over earlier levels of ethnic conflict in the world-system? Ethnopolitical conflict nearly tripled between 1945 and 1989 when the United States was at the peak of its hegemony (see Table 1), a trend opposite to that predicted by Friedman (1989: 67).<sup>2</sup> Contrary to the widespread scholarly perception, the contemporary period is characterized by a lower incidence of ethnic conflict than was typical of the world-system during the Cold War. Since the fall

<sup>2</sup> Friedman (1989:67) argues that “it is primarily in periods of declining hegemony that such outbursts of cultural identification become a genuine possibility.”

**Figure 1 – Percentage of Change in Number of New Groups Engaging in Ethnic Violence, 1945–1999**



*Source:* Analysis of the data from the Minorities at Risk Project reported in Gurr (1994: Table 1). Ethnopolitical conflict is defined as political rioting, local rebellions, guerrilla activity, given decade. Groups are counted only once in any given decade. Violence initiated in a previous decade is not counted as a violence in the next decade.

of communism, worldwide ethnic conflict has increased at only about one-third of the level of increase that characterized the 1950s and the 1970s (see Figure 1). In reality, ethnopolitical conflict increased at about the same pace in the 1990s as it did in the 1980s. In addition, more than half the conflicts reported in the 1990s were continuation of mobilizations begun during previous decades. Moreover, “communal conflicts across fault lines between civilizations and religious traditions are more intense than others but have not increased in relative frequency or severity since the end of the Cold War” (Gurr 1994:352). Employing world-systems analysis to investigate trends in ethnic conflict, Olzak and Tsutsui (1998:712) “question the claim that ethnic violence is exploding in the periphery.” Indeed, they contend that “the periphery is no more likely than core countries to experience serious ethnic confrontations.”

But world-system analysts are taking the wrong direction in claiming there must be *more* cases of ethnic conflict before such movements pose a threat to the capitalist civilizational project. World-system analysts need to be asking the question: is ethnic conflict *more costly* to the system now than in previous historical periods? That is the central question that this paper seeks to answer. Ethnic fragmentation is *not* new to the modern world-system, and it is not some

aspect of a new phase of postmodernism or of recent “globalization.”<sup>3</sup> First, ethnic identity formation and conflict are normal historical processes embedded in the logic and structure of the world-system from its very origins. Indeed, racism “came to serve as one of the pillars of the world-system as it historically evolved” since it functioned as the structural mechanism through which “the world division of labour would be ‘assimilated’” into the universal capitalist culture (Wallerstein 1983:83). To rationalize surplus extractions, wealth concentration, and political inequities, the dominant group constrains those at the bottom through policies of polarization, exclusion, discrimination and repression (Cox 1959; Rodney 1973). Then it constructs myths and stereotypes that “ideologically camouflage” (Patterson 1982) its oppression and exploitation of ethnic minorities. The recurrent birth, restructuring, disappearance, and resurgence of ethnic groups results because marginalized minorities resist oppression. Consequently, “the history of the world has been the very opposite of a trend towards cultural homogenization; it has rather been a trend toward cultural differentiation, or cultural elaboration, or cultural complexity” (Wallerstein 1991b:189). As a result, ethnic differentiation is no less a defining characteristic of the modern world-system than are the pressures toward cultural hegemony and national assimilation. In other words, ethnogenesis and minority group resistance are *the historic norm*—not contemporary aberrations!

#### INCORPORATION, INDIGENISM AND ETHNIC FRAGMENTATION

Today’s ethnic conflicts result from the structural contradictions between cultural hegemony and ethnic heterogeneity that have been embedded by two historical processes essential to the world-system: *incorporation* and *nation-building*. Incorporation is the historical process by which external territories and peoples that have been outside are brought into the system through colonization, conquest, or economic and political domination (Hopkins and Wallerstein 1986). Following Hall (1986b, 2001) and Dunaway (1996a), I view incorporation as a process of the *longue durée* that is never complete and is always subject to resistance. At its most abstract level, integration into the capitalist world-system involves five concurrent macroscopic social changes:

<sup>3</sup> On this point, I disagree strongly with Jonathan Friedman (1992:846) who contends that postmodernism is “giving rise to a myriad expression of ethnicities, religious cultures, and various traditionalisms” (Friedman 1988:450, 453).

1. Economic production is transformed so that the zone is “dominated by capitalist relations of production” (Wallerstein 1979:162) and inextricably articulated through complex commodity chains with the capitalist world-economy (Hopkins and Wallerstein 1987:773; Wallerstein 1982: 15). That is, the means of production are captured by capitalists, the local economy is reorganized to prioritize export commodities, a surplus is extracted from cheap labor and ecological resources, and much of that surplus is drained to the core.
2. Local governance is centralized, and separate peoples are “unified” into states that can be articulated with the interstate system (Wallerstein 1984:404; Wallerstein 1974:349). Such states take various forms but are nearly always weak or “underdeveloped” in their relations to the core. State elites extract surpluses from their territories and ensure that a portion of those surpluses flow to the core.
3. Human beings are aggregated into a commodity-producing *work force* of semiproletarianized wage earners situated in households that subsidize capitalism through the unpaid labor of women and ethnic minorities (Dunaway 2001).
4. Natural resources are rationalized and homogenized, land is commodified into property that can be owned and redistributed, and the ecosystem is reorganized for capitalist production (Dunaway 1994, 1996a, 1996b).
5. After implantation of the capitalist civilizational project (Wallerstein 1991b), the subsequent experience of alienation from long-accepted life-worlds becomes the most disruptive aspect of incorporation. The construction of hybrid, adaptive cultures ensues, but real people experience the *culturicide* (Fenelon 1998) that follows incorporation’s onslaught as death to their human *dignity* (von Werlhof 1997).

Most typically, external zones are integrated as peripheries of the world-economy; and the affected peoples quite often devolve from economic and political autonomy into dependence on a world-wide network of production (Dunaway 1994). Colonizers have used four mechanisms to bring indigenous people under their control. For those groups they do not *annihilate*, they pose three options: *assimilate* into the intruding culture; *amalgamate* and co-mingle traditions to create hybridized traits; or *accommodate* to external demands in order to coexist separately from the colonizer (Nagel and Snipp 1993). Clearly, these rivals are struggling to play out very different civilizational agendas. Because the geoculture of capitalism is grounded in racism, sexism, and universalism, capitalist interlopers exhibit an ethnocentric sense of superiority toward the society they

are invading (Dunaway 1996b). Driven by the cultural logic of historical capitalism (Wallerstein 1983), the intruders mythologize their domination as a lofty mission to bestow “progress” on “backward barbarians” (Abdel-Malek 1981).

Universality creates cultural and cognitive imperialism, which establishes a dominant group’s knowledge, experience, culture, and language as the universal norm. Dominators or colonizers reinforce their culture and values by bringing the oppressed and the colonized under their expectations and norms. Given the assumed normality of the dominator’s values and identity, the dominators construct the differences of the dominated as inferior and negative....This binary consciousness justifies the separation of Indigenous peoples from their ancient rights to the land and its resources and the transfer of wealth and productivity to the colonialists (Henderson 2000:63).

In sharp contrast to the imperialistic goals of the interlopers, most members of the indigenous group seek to safeguard their established way of life and their ecological spaces (Champagne 1989; Taylor and Pease 1994). Consequently, incorporation is a dialectical historical process that involves both *structural articulation with the world-system* and *human resistance against the capitalist civilizational project* (Dunaway 1996b). On the one hand, incorporation into the world-system “is largely beyond the will and control of the members of indigenous societies” (Champagne 1989:7). On the other hand, change is deterred and its devastating effects are ameliorated because the impacted people act, react and resist (Merrell 1989; Gutierrez 1991). As a result, the dominated confound, disrupt, and slow the agenda of the colonizers (Fanon 1965).

As it incorporates new zones, the modern world-system is inherently contradictory in its *racialization* of peoples. On the one hand, the incorporation process differentiates populations into powerful dominant ethnic groups and marginalized ethnic subalterns. “The concept of ethnic minority was virtually introduced, and many ethnic identities largely created, by the imaginings of European colonial powers concerned...with building majority coalitions to assuage their own vulnerability as minority rulers” (Kingsbury 1998:427). On the other hand, that historical process results in *ethnogenesis* (Roosens 1989), the construction and preservation of new “localized ethnic identities” (Friedman 1999:6) and “the formation of indigenous ‘minorities’ concerned with historical claims to sovereignty” (Fenelon 1998:xiii).<sup>4</sup> By structuring ethnic differentiation to rationalize inequalities, colonizers embedded ethnic and racial categories into the historical

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4. Regarding the connection between *ethnogenesis* and colonialism, see Kingsbury (1998:427–28), Anderson (1987), Greenberg (1980), Lamar and Thompson (1981), Varese (1996), Sivaramakrishnan (1995), Chimhundu (1992), Novati (1996). For an excellent overview of ethnogenesis in the Americas, see Hall (2001).

memory and the political economy of the world-system. Consequently, capitalist colonizers create and solidify the very ethnic identities that form the bases for ongoing resistance (Roosens 1989). "Ethnic conflict with historical roots in conquest, destruction, and domination, remains one of the strongest 'predictors' for ongoing internecine violence, and 'threats' to national stability or hegemony" (Fenelon 1998:xiv).

Hegemony and dominance never completely obliterate the histories or cultures of indigenous peoples or ethnic minorities. By structuring and concretizing ethnic and cultural inequalities during the incorporation process, colonizers set in motion a "postcolonial ghost dancing" (Henderson 2000:63) in which the persistence of those marginalized groups is insured across many generations.<sup>5</sup> Their pasts are resurrected again and again, repeatedly reinvented in response to crises (Wallerstein 1991a:78; Friedman 1992:853). From its inception, then, the modern world-system has structured contradictions between its antithetical needs for *cultural homogeneity* and for *ethnic heterogeneity* (Bhabha 1994; Purnell 2002). This structural ambivalence is one of the central dilemmas of the modern world-system. The drive of world elites to produce a unified whole conflicts directly with their maintenance of a hierarchy of ethnic minorities who challenge that domination. As Wade (2001:854) observes, "diversity does not just break through the official image of homogeneity; it is contained within that image." Thus, incorporation has a dialectical impact on oppressed ethnic minorities who employ "a past defined by outsiders...to forge a viable cultural identity in the present" (Friedman 1992:844).

#### ETHNIC FRAGMENTATION AND NATION-BUILDING

Nation-building is the second dialectical process through which the modern world-system structurally differentiates ethnicities. Comprised of interacting subsystems that are held together by conflicting forces and long-term historical

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<sup>5</sup> The metaphor refers to the nineteenth century "ghost dancing" of western U.S. Indians who engaged in a cultural revitalization movement against white subjugation. The group rituals were intended to summon a new world order that abandoned "white ways" and was to be marked by the reincarnation of thousands of their dead warriors and the return of the herds of wild horses and buffalo to their original numbers. The U.S. government interpreted the religious movement as an indicator that several groups were coalescing to rebel, so the army exercised extreme repression, culminating in the 1890 Sioux massacre and death of Sitting Bull at Wounded Knee (Champagne 1983).

processes, capitalism has been able to flourish precisely because the world-economy has had within its bounds a multiplicity of states (Amin 1982:15) that are linked together and legitimated by an interstate system which limits the degree to which any one state can restrain the capitalist world-economy (Wallerstein 2000:311).

States play a second function for the world-system, for they are the entities that control rebellious minorities. To paraphrase Benedict Anderson (1991: 6), the modern world-system "invented nations where they d[id] not exist," and the modern nation is an *imagined political community*. The establishment of a sovereign state within the interstate system triggers the creation of a corresponding *people*, another "major institutional construct of historical capitalism" (Wallerstein 1991a:84–85). The construction of peoplehood "has grown more and more important as the system has developed greater density. In this sense it is like sovereign statehood, which is also an essential pillar, and has also grown more and more important" (Wallerstein 2000: 308–309). The nation is constructed as "a fictive ethnicity" grounded in "a historical system of complementary exclusions and dominations which are mutually interconnected" (Balibar 1991: 37, 49, 62). For that reason, nationalism has been closely intertwined with the practices of racism, ethnocide, religious intolerance, and culturicide. Without those mechanisms, the state could neither control population movements within its geographical space nor coalesce a "people" around a common identity, civilizational project, and official history (Wade 2001:848).

According to Gramsci, nations simultaneously homogenize community while submerging differences. An uneasy, fictitious homogeneity is constructed through the equation of the dominant ethnic identity with the core of the nation and the location of subordinated ethnic identities at its peripheries (Hall 1986a). In the case of a marginalized indigenous group, the nation structures within its bounds a "territorialized community" that is likely to be continually in conflict with the state (Alonso 1994:395). On the one hand, paradoxes of *homogeneity* and *heterogeneity* are negotiated by the state through political domination over ethnicized subjects. On the other hand:

nationalist re-presentations of the past, produced by those in control of the state system, appropriate and transform local and regional histories and the memories of subordinated groups through the strategies of naturalization, idealization, and de-particularization. Pasts that cannot be incorporated are privatized and particularized, consigned to the margins of the national and denied a fully public voice. Through these strategies, a selective tradition of nationalism, which is key for the consolidation of the idea of the state, is produced....This tradition is critical to the construction of hegemony by agents and institutions of the state system (Alonso 1994:389).

Powerful as that dominant ideology becomes, it is *never* totally hegemonic. Paradoxically, the vulnerability of nations and of the world-system lies within its own hierarchy of structured differences. National unity is inherently fragile because it is a *mythical racial construct*. Though required for hegemony over a population, “national interests” and cultural dominance are never fully paramount (Lawson 1990). Juxtaposed against the possibility of the hegemonic and homogeneous nation are “recurring revivals” of ethnic identity (Champagne 1989; Nagel and Snipp 1993; Dunaway 1997), including struggles over territory that emerge most frequently in the periphery and semiperiphery, sporadically in the core. As a result, nations are caught in a political and cultural contradiction that has been historically structured by the logic of the world-system. On the one hand, there is “no diminution in the drive of nations to establish sovereignty” (Hutchinson 2000:666) because the world-system cannot exist without those nation-states (Wallerstein 2000: 311). On the other hand, “the authority of nations...has always been qualified domestically and externally” (Hutchinson 2000:665). Hence the “cannibalizing dialectic between tendencies to homogeneity and tendencies to heterogeneity” (Appadurai 1990:2) forms the dilemma of the state. Nationalism and ethnicity “emerge side by side.... The modern world-system bases itself on both ideologies, seemingly in contradiction one with the other” (Wallerstein 2000:344). As a result, nation-building “creat[es] in it[s] wake ‘peoples’ [and] ethnic groups—in uneasy relationship to the states” (Amin 1982:15).

As Chee-Beng (1997:264, 271) points out, states concretize the identities of subnational groups when they single them out for discriminatory policies. On the one hand, “the formation and development of ethnic groups can be seen as a by-product of the process of state development and nation-building.” On the other hand, every state concession to the grievances of an ethnic minority re-legitimizes their identity and reinforces the persistence of the group. When states allocate resources by ethnic category, they trigger ethnogenesis around marginal economic and political statuses. In this regard, the group forms “an identity in response to the state system,” and projects that identity and grievance agenda “in the public arena of a nation-state.”

For three reasons, nation-states view indigenous groups differently from any other ethnic category. First, indigenous cultures exist as “conjunctural countercultures” (Wallerstein 1991b:193) that continually critique the capitalist civilizational project and question the state’s “official” history. Second, indigenous groups often demand autonomy from the states in which their communal lands are trapped. (Maybury-Lewis 1992:54–55). Third, they may seek to preserve economic activities and goals that conflict with state development agendas. Indigenous groups often reside in territories that are resource rich, and they reject the state’s author-

ity over those ecosystems and land. Since “territorial integrity is at the core of what it means to be a state,” indigenous peoples challenge the ideological foundations of the nation at every turn. Friedman (1999:9) contends that:

there is no logical way that nation-states and indigenous movements can co-exist without a change within the larger structure of the state itself, or by concluding compromises that simply accentuate the ambivalence in the situation. The articulation of indigeneity and the world system produces a whole set of new contradictions that are becoming salient in the current situation.

Through their “residual claims to sovereignty,” indigenous peoples “resist devolution and disappearance.” Even though colonizers “established sovereignty and military—political control, they never effectively quieted the prior claims. As long as pre-existing populations with national identities were present, their ‘claims to sovereignty,’ not completely extinguished, provided a potential threat to hegemonic domination” (Fenelon 1998:8).

A second challenge to national sovereignty results from cross-national migration. To complicate the dialectical tendency toward ethnogenesis, the modern state must also contend with “forms of citizenship beyond the nation” (Tambini 2001:200). Graeber (2002:4) argues that “the main achievement of the nation-state in the last century has been the establishment of a uniform grid of heavily policed barriers” that are now threatened by two demographic trends. Indigenous peoples quite often exist in territories that lie within the boundaries of more than one country. Such subnational groups “escape the power of the nation-state to inform their sense of collective identity” (Kearney 1991:59). According to Castles (2000:279), the nation-state is:

premised on the idea of cultural as well as political unity...This unity has often been fictitious—a construction of the ruling elite—but it has provided powerful national myths. Immigration and ethnic diversity threaten such ideas of the nation because they create a people without common ethnic origins....[T]he failure of assimilation policies mean that the new *citizens* are often not *nationals* (in the sense of sharing the dominant culture).

#### WILL ETHNIC CONFLICT PUSH THE WORLD-SYSTEM TO DEMISE?

Wallerstein argues that four major dilemmas have been worsening for hundreds of years and have now reached the crisis point.

There are three irreversible structural crises that are putting real pressures on global profits—thereby threatening the accumulation of capital that propels the existing system. On top of that, disillusionment with 20th century movements has caused the elimination of a safety valve that once protected the system. The failures of communism, socialism, and national liberation movements means the removal of the major political mechanism that kept the lid on the pot of world grievances (Dunaway 1999:296–98).

Because the world-system has surpassed its structural, cultural and ideological “limits to renewal” (Wallerstein 1982:22), we have reached “the end of the world as we know it” (Wallerstein 2003). It is precisely in periods of transition that antisystemic resistance can have the greatest impact. According to Wallerstein:

When a system functions “normally,” as the capitalist world-system functioned for several hundred years, people could push and pull, but those actions would only have limited effect.... When a system is in crisis, however, it fluctuates incredibly, and it becomes very unstable. So a little push here and a little push there really has tremendous effect.... It is only in such times of transition that [counter-hegemonic resistance] outweighs the pressures of the existing system to return to equilibria. (Dunaway 1999:298).

The wide array of ethnic conflicts can prove particularly problematic during this transitional crisis of the world-system for two reasons. First, core social movements have severely diminished the capacity of the capitalist class to apply sexism and racism as hegemonic pillars of the world-system. As a result, there is a large “conscience constituency” (Zald and Ash 1966) that supports many oppositional movements of the periphery. Second, even moderate increases in costs to the profit structure of the system can now cause much greater problems than in the past. That is, the multitude of ethnic conflicts may be viewed as a fourth *irreversible structural crisis* that contributes to the profit squeeze that threatens the world-system as we know it (Wallerstein 2000).

Despite these structural realities, I disagree with Friedman’s (1993:234) contention that “ethnification of the nation” is “an aspect of a declining hegemonic order in the global system.” I argue, instead, that ethnic differentiation is a fundamental characteristic of the world-system and that there is the highest incidence of ethnic mobilizations during the peak of the hegemon’s ascendancy (see Table 1 and Figure 1). What world-system analysts need to explore are the implications of ethnic conflict now that the system has reached its bifurcation point. As ethnic alignments become more central to antisystemic resistance, what are the possible directions in which ethnic conflict will push us, at the system’s bifurcation point, towards various possible alternative outcomes (Wallerstein 2000:309)? How can ethnic movements make capitalism so costly that the world-system will collapse or transform? To answer those questions, I will delineate five areas in which ethnic resistance is “costly” to the world-system:

1. crises of the state;
2. opposition to economic growth agendas and expansion of markets;
3. the legitimization crisis of the capitalist civilizational project;
4. resistance against core ecological domination;
5. the economic and human costs associated with ethnic violence.

## ETHNIC MOBILIZATIONS AND CRISES OF THE STATE

The widespread conventional wisdom seems to be that a dramatic upsurge in ethnic mobilization poses the most fundamental threat to the survival of the nation-state worldwide.<sup>6</sup> Despite the alarmist sound of such claims, the perceived threat of ethnic resistance to the stability of the state is conceptually flawed and overstated. We must be careful not to assume that all ethnic conflicts are aimed at separatism from or destruction of the state.<sup>7</sup> Nearly half the contemporary ethnic mobilizations are attempts by groups to secure a higher level of state resources or greater political participation—not to destroy existing national governments. Most of the rest are aimed at relative or limited autonomy, not at sovereignty. Moreover, one-third to one-half of current minority ethnic mobilizations are ideologically, culturally, and ecologically counter-hegemonic, but a majority of those movements are nonviolent and are *not* seeking to destroy the state.<sup>8</sup> Why, then, are so many core scholars exaggerating the degree to which

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6. This viewpoint is evidenced by the proliferation of books and articles about this topic in the 1990s. Mainstream political scientists point to “cultural denationalization” and “cosmopolitanism” as threats to national hegemony. See, for example, Green (2000) who identifies fifteen structural, political, and normative forces that are undermining the capacity of the nation. World-system analysts also make this mistake. For example, Boswell and Stevis (1997:3–4) argue that “the surge of nationalism is driven, in no small part, by the very process of globalization that makes state power less potent. In the face of world integration, dominant ethnic groups demand reinforcement of their national identity and the competitive advantage nationals have within it. Subordinate ethnic populations with identifiable territories (i.e., nations) increasingly seek their own sovereign states as they gain less from having a voice within an increasingly ineffectual and nationalist state.... Deepening integration and neoliberal competition have thus engendered centrifugal processes of declining sovereignty yet rising nationalism.”

7. According to Gurr (1994; 1999: Table 3), most nationalist ethnic mobilizations in the 1990s were aimed at (a) greater political participation by minorities or at (b) seizing control of state power—not at separating to form new nations. Since Ted Gurr’s research purpose is to identify threats to national security, I find his assessment of the lack of decline of the nation-state very compelling.

8. My analysis of 275 groups in the Minorities at Risk Project and 312 case studies shows that the middle classes play a central role in ethnic revitalization movements all over the world. In developing countries, “nationalism and ethnic strife is common in situations where highly skilled individuals—especially intellectuals—are prevented from socially and economically ascending to a degree commensurate with their expertise.” By elevating cultural myths to the level of widespread acceptance, such elites attempt to “position themselves as the intermediaries between [the state] and the masses” (Barreto 2001:29).

ethnic conflicts, indigenous autonomy, and transnational migration threaten the nation-state?

The first explanation is that these scholarly claims are a reflection of cultural and ethnic prejudices that are dominant in the core. On the one hand, there is a rising incidence in the core of ethnic scapegoating, hate crimes, and race-based opposition to immigration. All these are indicators of increasing prejudice and discrimination. On the other hand, Western Europe, Canada, and the United States are polarized from the rest of the world in the degree to which their citizens are preoccupied with ethnic and racial differences. In 2002, the Pew Global Attitudes project asked citizens to rank the significance of five threats facing the world: (a) AIDS and infectious diseases, (b) religious and ethnic hatred, (c) proliferation of nuclear weapons, (d) the widening gap between rich and poor nations, and (e) pollution and environmental degradation (see Table 2). While the Japanese prioritized nuclear weapons and ecological change, citizens of the other core nations much more frequently emphasized religious and ethnic hatreds. In sharp contrast to the predominantly-Caucasian core countries, respondents in Eastern Europe, Latin America, Asia, and Africa were much more likely to prioritize AIDS, the rich/poor gap, or environmental pollution. Despite recent regional ethnic conflicts, Russians view AIDS and other infectious diseases as the greatest danger (Pew Research Trust 2002). Even in most areas where there have been recent ethnic conflicts, a majority of citizens prioritized threats other than religious and ethnic hatred.<sup>9</sup> The second explanation for the scholarly exaggeration is that much of that academic rhetoric represents political legitimization for increased state repression of minorities. Research about ethnic resistance movements is now heavily funded by core government agencies, foundations, and think tanks that prioritize “national security,” not humanitarian benefits for minorities.<sup>10</sup> Thus, uncritical acceptance of such claims means

<sup>9</sup> The only non-core countries in which citizens ranked religious and ethnic hatred as the greatest danger are the Czech Republic, Jordan, Lebanon, Indonesia, and Nigeria. Clearly, the presence of current ethnic conflict in a region did not cause citizens in most affected countries to prioritize religious and ethnic hatred.

<sup>10</sup> The purpose of research like the Minorities at Risk Project and others like it is the construction of “early warning systems” that will permit the core to decide “where to invest scarce monitoring resources,” i.e. where to prioritize collection of intelligence information (Gurr 1997:1102). Even though the project was initiated using foundation grants with very different goals, the Minorities at Risk Project (2002) at the University of Maryland is now heavily funded by the CIA. We can expect to see future funding of such research integrated into the “US War on Terrorism.” For example, the US government

**Table 2 – What Do Citizens Rank As the Greatest Danger Facing the World?**

Region	Danger # 1	Danger # 2
Africa	Aids & Other Infectious Diseases	Rich/Poor Gap
Asia	Environmental Change	Rich/Poor Gap
Core: Western Europe, US, Canada	Religious & Ethnic Hatred	Nuclear Proliferation
Core: Japan	Environmental Change	Nuclear Proliferation
Eastern Europe	Nuclear Proliferation	Rich/Poor Gap
Latin America	Aids & Other Infectious Diseases	Nuclear Proliferation

Source: Analysis of Responses to the Pew Global Attitudes Project (Pew Research Trust 2002: 47–54)

that world-system analysts are ideologically embracing the historical tendency of the core to *demonize* counter-hegemonic ethnic movements (Dunaway 1999: 288–90).<sup>11</sup>

Third, many of the claims about the impending decline of the state are just conceptually sloppy. The most obvious mistake is the recent tendency to draw worldwide generalizations from case studies about European ethnonationalism which followed collapse of the USSR. Furthermore, writers fail to recognize that much contemporary conflict is not new, but is, rather, a continuation of conflicts that been begun in previous periods. In many instances what is occurring is not new conflict but a change in strategies and tactics by groups that have been engaging in resistance that spans more than one decade.

Such exaggerated scholarly claims are grounded in another fundamental conceptual flaw. It is doubtful that there has even been a strong “nation-state” in any part of the world-system other than the core, near-core, and a few richer semiperipheries. Indeed, Amin (1990:133) contends that “movements making

began soliciting grant proposals in January, 2002 for university-based research that will support “homeland security” efforts.

<sup>11</sup> Core preoccupation with the security threat represented by problems of weakening domestic hegemony is evident in the extent to which this topic appears in publications in political science and international relations. More than 100 books about this topic have been published in the last five years, and the number of published articles now reaches into the hundreds, just in academic journals.

'ethnic' demands" are largely the product of "the failure to build a national state in the periphery." The notion of a world of "nation-states" is an impossible dream of core elites, a segment of that larger modernization myth which seeks to re-create the world in its own image.<sup>12</sup> Since a majority of peripheral and semiperipheral governments have never achieved "nationhood," the claim that the nation-state is in world-wide decline (Boswell and Stevis 1997; Friedman 1999) is tenuous at best.<sup>13</sup> Indeed, what most of these writers are complaining about are perceived threats to core states, not to a majority of states worldwide.

I would like to propose four different explanations that will move us away from such demonization of "ethnic others" and direct our attention to that majority of the world's states and peoples that are situated in the periphery and the semiperiphery. Probably the best indicator of the crisis of the state worldwide is a trend that runs counter to core scholarly fads. Much of the current ethnic conflict in the periphery and the semiperiphery is generated from the top-down, not caused by minority resistance (Amnesty International 2002). A majority of the recent instances of ethnic cleansing and genocide have been orchestrated by powerful political elites who often have utilized the government's resources against minorities (Human Rights Watch 2002). To engage in such actions, the state is relying on repression, not on the type of long-term consensus-building that is crucial to the formation of a viable nation-state. A hegemonic order is one in which consent/consensus rather than coercion operates most frequently to achieve popular acquiescence to the dominant agenda (Bell 1976; Friedman 1993; Wallerstein 2000). However, repressive peripheral and semiperipheral states are trapped in an *imploding* hegemony in which "the ruling class has lost its consensus, i.e., is no longer 'leading' but [is] only 'dominant,' exercising coercive force alone" (Gramsci 1971:275–76).

<sup>12</sup> Anthony Smith (1986) has argued that five factors are necessary for the formation of a *nation*: the construction of a collective name, a common myth of descent, a shared history and culture, a bounded territory, and sense of solidarity. Nagengast (1994: 109) contends that the ideal *state* "is one in which the illusion of a single nation-state is created and maintained and in which resistance is managed so that profound social upheaval, separatist activity, revolution, and *coups d'état* are unthinkable for most people most of the time." Most peripheral and semiperipheral countries attained independence from colonialism in the 20<sup>th</sup> century, and most of these states have been struggling unsuccessfully throughout the postcolonial period to achieve the core ideal for a nation-state.

<sup>13</sup> Wallerstein (2000: 311) argues that "'stateness' of the 'sovereign states' has been increasingly clearly defined and their powers specified and enhanced. Hence we have been moving in the direction of ever 'stronger' state structures that are constrained by an ever 'stronger' interstate system."

Second, peripheral and semiperipheral states are caught in contradictory mandates that are emerging from core universal agendas. There is a structural contradiction between the world-system need for relatively strong states and the universal demand for democraticization. Inherently, the developing state is trapped in a paradox. Tendencies toward homogenizing nationalism and centralized control over territories—the prerequisites to be a real "nation-state" in the world-system—are not democratic, and they may trigger extended resistance from ethnic minorities (Hechter 2000). Consequently, the state is ensnared in a dilemma in which "too much centralization causes rebellion, and too little centralization would cause fragmentation" (Yavuz 2001:21). In addition, core democraticization agendas create new *structures of political opportunity* (McAdam, McCarthy and Zald 1996). Because counter-hegemonic resistance cannot emerge in circumstances of extreme state repression (Tilly 1978; Skocpol 1979), ethnic mobilization increases as a state democratizes (Barbosa 1996; Olzak and Tsutsui 1998). Second, ethnic groups will engage in resistance against newly democratic states when minorities have previously been repressed by or fear they will be oppressed by ruling elites (Korovkin 2001; Premdas 1991; Verma 2002).

The thrust for universal democracy is grounded in the "human rights" of people to liberties that cannot be denied or withdrawn by a repressive state. Increasingly, ethnic minorities are "call[ing] the bluff of neoliberalism and its pretenses to democratization" (Graeber 2002:5) by merging that core agenda with demands for redress from "the universality of difference" in which the world-system is grounded. Obviously, there is an inherent structural dilemma here. If ethnic minorities and indigenous peoples lay full claim to the "promises" of democracy, they are likely to demand greater and greater autonomy from repressive states and from the interstate system. Core pressures toward democracy can mean "the end of wholly state-led cohesion and the search for new trajectories which...take the self-determined and negotiated positions of the constituent units as paramount" (Osaghae 2001:16–17). As Wilmer (1993:118) points out, core-sponsored international law defines an impossibly contradictory agenda for states. On the one hand, developing governments should follow the core model in which "conquest and discovery a[re] legitimate means of extinguishing aboriginal sovereignty." On the other hand, those same governments are expected to "recogniz[e] the right of peoples to self-determination."

There is growing evidence that "the diffusion of a world system culture of human rights" (Olzak and Tsutsui 1998:714) will lead to increased ethnic resistance (Brysk 1996; Anaya 1996). Universal human rights and multiculturalism reinforce the tendencies toward ethnic identity formation. While strengthening world capitalist agendas, the recent core ideological focus on multiculturalism has empowered ethnic minorities in the periphery and semiperiphery to resist

policies of their own governments (Friedman 1997:83–85). To exacerbate those trends, there has been “a qualitative shift in political structures” that results from “the geometric rise in the number of international organizations...that form alliances with subnational ethnic groups” (Boswell and Stevis 1997:3–4). Two human rights resistance strategies threaten state sovereignty: (a) *subnational* political realignment with ethnic minorities and (b) *supranational* alliances with international organizations and movements.<sup>14</sup> Many ethnic movements play on the sympathies of distant international audiences they hope will move to weaken the position of their states (Pfaff-Czarnecka et. al. 1999).

The “internationalization of indigenous rights” (Brysk 1996; Anaya 1996) is one such universal agenda that threatens state autonomy. Proposals to universalize the concept of *indigenous peoples* concretize the existence and legal claims of these groups to ecological resources and to political autonomy. United Nations documents illustrate the core-generated conflict between indigenous groups and states. After their governments denied the existence of indigenous peoples, a coalition of Asian groups requested that the United Nations recognize and legitimate these peoples “who are denied the right to govern themselves” (Kingsbury 1998:417). This indigenous claim of the right to political autonomy:

challenges dominant conceptions of the state as the political embodiment of a nation comprising all of the people within that state, and emulates the representation of historical ‘nations’ connected to particular territory.... “Indigenous peoples” challenge totalizing views of “nation” and the “nation-state” that have frequently made it difficult for identities other than the “nation” to secure recognition and acceptance. “Indigenous peoples” would legitimize such cultural and political units in the way nation-states have been legitimized by “nations” (Kingsbury 1998:422).

Because universal democraticization and human rights agendas stimulate minority demands for equitable treatment, *pro-systemic movements can have anti-systemic effects*, the fourth dilemma of the state. Since at least half the contemporary ethnic mobilizations are aimed at greater political enfranchisement or larger shares of state resources, there is a “revolution of rising entitlements” (Bell 1976: 226–27) in which “the pressure to increase services is not necessarily matched by the mechanisms to pay for them.” As a result, the costs of state entitlements are steadily increasing all over the world, creating a simultaneous crisis for states and

<sup>14</sup> For authors who contend that the loyalty of citizens toward territorial states is weakening, see Rosenau (1997), Ferguson and Mansbach (1996), Strange (1996), Calhoun (1994), Sandel (1996), Hobsbawm (1990), and Robertson. For an empirical study, see Dombrowski and Rice (2000).

for the future of the world-system. According to Wallerstein, capitalists are feeling a profit squeeze from the clamor for expanded entitlements.

Ordinary people have three basic claims: they want more education, they want more health services, and they want more guaranteed life income. If you look at legislation over the last two hundred years, the demand level for these human needs has been going up slowly all over the world.... Obviously, the costs are retrieved through a taxation system of one variety or another, and these costs act as a drain on the worldwide accumulation of capital.... What we call neoliberalism is an attempt to reverse these trends, but it has not been spectacularly successful. The reversal of social expenditures is very hard to achieve because such changes trigger a storm of popular resistance (Dunaway 1999:295–96).

Finally, many ethnic mobilizations can contribute to the loss of national hegemony by shifting their resistance away from acquisition of state power, the predominant strategy that characterized 20<sup>th</sup> century movements (Dunaway 1999:300–301). Graeber (2002:6–9) contends that the new anarchistic strategies employed by ethnic minorities are “less about seizing state power than about exposing, delegitimizing and dismantling mechanisms of rule while winning ever-larger spaces of autonomy from it.” Many contemporary ethnic movements mobilize simultaneously at local, state and international levels, and those resistance strategies will make it impossible for states to operate as the “adjustment mechanisms of the world-system.” In the previous century, nationalist movements “served as the moral guarantor of the state structures,” and capitalists “relied ever increasingly on the movements to perform on their behalf the function of legitimating the state structure” (Wallerstein 1997:9). Ethnic mobilizations no longer offer this “safety-valve” role to their states.

#### ETHNIC RESISTANCE AGAINST ECONOMIC GROWTH AGENDAS

As peripheral and semiperipheral states have integrated their development agendas more deeply into the world-economy, ethnic minorities have often remobilized. Ethnic resistance movements in the periphery and semiperiphery can contribute to the core profit squeeze by limiting core expansion of markets and by slowing the flow of cheap imports. There is a growing body of empirical evidence that recent neoliberal policies have spurred increasing transnational mobilization of indigenous groups and a wide variety of collective actions by poor and middle class ethnic minorities.<sup>15</sup> Probably half or more of recent ethnic

<sup>15</sup> Regarding contemporary ethnogenesis and indigenism as resistance against international economic trends and structural adjustment programs, see Stroebele-Gregor (1994) and Quijano (1989).

mobilizations have emerged as resistance against capitalist economic agendas.<sup>16</sup> Targeting other cultures as markets for core imports simultaneously can have two effects. On the one hand, it increases the likelihood that the capitalist civilizational project will become dominant. On the other hand, new consumption patterns can fuel ethnic resistance (Friedman 1990:314).

Even when the group's resistance is aimed at opposition with the core economic agenda, the national government quite often bears the brunt of local opposition—thereby exacerbating the political crisis of the state. Increased levels of discrimination or linguistic homogenization have been utilized by several states to broaden their export production agendas; as a consequence, minorities have reacted with greater violence and/or ethnonationalist movements.<sup>17</sup> In this conflation of national and world factors, the state may face a regime crisis grounded in “the capacity of antisystem forces...to successfully challenge the ideological hegemony” (Baruah 1994). When indigenous communities advocate collective control over natural resources, production, marketing, and profit distribution, their resistance is often defined as threats to the “national interest” or to the “national security” in peripheral countries that are expanding export production. As Nash (1995:35) observes about the Zapatista movement, such counter-hegemonic resistance demonstrates “the threat that subsistence systems might pose to global trade agreements.” In turn, government repression of such resistance attracts world media attention and contributes to “the development of a global moral community” against such public actions. In such circumstances, the state will be simultaneously pressured by contradictory ideologies and policies from the core.

#### THE LEGITIMATION CRISIS OF THE CAPITALIST CIVILIZATIONAL PROJECT

The capitalist civilizational project has never been hegemonic enough to silence the dissatisfied voices of subaltern peoples, for the system has achieved, at best, only a *tendency toward limited quiescence* (Gaventa 1980). Paradoxically, hegemony is weakened because the world-system has structured states in which “the cultures of both the dominant and the oppressed are persistent, leading to myriad

<sup>16</sup> I analyzed 275 groups in the Minorities at Risk Project and 312 case studies of ethnic conflict in the 1980s and 1990s.

<sup>17</sup> For case studies, see Morris (2001), Meadwell (1993), Adamson (1980), Mees (2001), Mitra (2001), and Ayres and Saideman (2000).

forms of resistance by oppressed groups” (Fenelon 1998:335). Thus, the “capacity of dominant groups to define, constrain, and marginalise ‘the other’” (Greenstein 1994:652–53) is being eroded by ethnic mobilizations. Increasingly, the capitalist civilization project is facing a legitimation crisis not unlike that which Habermas (1973) describes for the capitalist state. That crisis derives from the opening in the world-system of new *cultural opportunity structures*, a notion I have coined to parallel *political opportunity structures* (McAdam, McCarthy and Zald 1996).

Opportunity structures are either (a) systemic openings that permit dissent or (b) systemic closings which prevent or discourage opposition. At the level of the world-system, changes in the cultural opportunity structures are *conjunctural*. In specific situations, these openings or closings may be intentional adjustments, emerging contradictions, or breakdowns in the hegemonic civilizational project fostered by core elites and intelligentsia. Changes in the opportunity structures do not appear from nowhere or at the whim of economic and cultural elites. They are rough adaptations to changes in the political economy of the world-system, and they are dialectically related to struggles within the system. When openings occur in the cultural opportunity structure, for whatever reason, mobilization follows, increasing the economic costs associated with repression and/or concessions. In turn, those added costs exacerbate the profit squeeze crises of the system.

There are signs that the cultural opportunity structure of the world-system is opening new windows for ethnic oppositional movements while closing opportunities for the kinds of movements that dominated the 20<sup>th</sup> century. Wallerstein refers to one such opening that may become a systemic rupture. His observation that *universalism* is under heavy attack is just as significant as Nietzsche's announcement of the death of God.

The crisis is cultural. The crisis of the anti-systemic movements, the questioning of the basic strategy, is leading to a questioning of the basic premisses of universalist ideology. This is going on in two arenas: the movements where the search for ‘civilizational’ alternatives is for the first time being taken seriously; and intellectual life, where the whole intellectual apparatus which came into being from the fourteenth century on is being slowly placed in doubt (Wallerstein 1991b:91–2).

What, then, are the implications for ethnic and indigenous movements? First, the traditional opening toward the left is undergoing closure, in part because Marxism and the intellectual left accepted the “master narrative” of universal progress. This closure provides new openings for alternative movements. Second, cultural crisis implies an *apertura* toward the “Other,” a breach that widens the prospects for those ethnic movements to popularize ideas about civilizational alternatives.<sup>18</sup>

In addition to the openings caused by the questioning of universalism, other cultural opportunities are being created by multiculturalism. In contrast to Friedman (1997), I contend that multiculturalism is not an indicator of decline or disintegration. Rather the rising acceptance of multiculturalism is a hegemonic adjustment that is designed to broaden the appeal of the capitalist civilizational project and to quiet resistance from marginalized ethnic groups. As Amin (1990: 134) observes, "The unity of the modern world-system requires that the core dimension of culture...be universalist. Diversity must serve the universalism that is to be built." For that reason, multiculturalism is a response intended to ameliorate systemic problems as cheaply as possible—as are other such systemic adjustments. Dialectically, however, minorities can use multicultural ideals to push their own agendas into the cultural domain. The rising legitimacy of multiculturalism provides a hegemonic basis of support for the universalism of human rights. In addition, the opening toward multiculturalism in the core helps provide a potential "conscience constituency" for ethnic movements in the periphery.

Transnational migration is a third new cultural opportunity structure. At present, 200 million people live in countries to which they have migrated (Green 2000:82), representing about 3 percent of world population. Although most migrate to developing countries, one-quarter of them move into richer countries, nearly 10 percent going to the United States. Thus, the core is becoming increasingly ethnically diverse, and many mainstream scholars herald that change as a significant ideological and cultural threat to hegemony (Huntington 1996). Since immigration fuels greater population increases than does the birth rate of U.S. citizens, demographers predict that, by 2050, the U.S. will for the first time in its history no longer have a white numerical majority. These ethnic shifts will ultimately create new political and cultural opportunities for movements that pose alternatives to the capitalist civilizational project.

#### COUNTER-HEGEMONIC RESISTANCE AGAINST CORE ECOLOGICAL DOMINATION

Resistance against core ecological hegemony is the fourth area in which ethnic mobilizations are increasingly costly to states and to core expansion. The world-system is attracted to arenas out of its "craving for supplies of scarce

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<sup>18</sup> By focusing on openings, I do not mean to deny that there are near-permanent cultural closures or zero-opportunity structures. Among other components of the western hegemonic project, racism, law and order, and patriotism stifle ethnic and indigenous mobilization, limit support from potential allies, and justify repressive actions.

commodities and for new sources of wealth" (Phillips 1987:781). When the world-system expands into new zones, "capitalism takes over land and effectively subjects it to its own rules, completely reshaping its organization" (Braudel 1981: vol. 2, 251). Natural resources and land are exploited to produce exports for the world-economy, generating ongoing resistance from those peoples whose ecosystems have been brought under the reach of the world-system (Dunaway 1996b, 1997).

Wallerstein points to the resultant ecological crisis as one of the three most significant structural contradictions of the world-system.

The profit squeeze is the most insoluble problem of the current system. On the one hand, capitalists are experiencing a profit squeeze from the slow growth of real wages, with the decline of new rural people to pull in as very cheap labor. Then there is the second profit squeeze from the real expenses associated with capitalists being forced to pay for their free ride from the externalization of costs. The world faces the choice of ecological disaster or of forcing the internalization of costs. But forcing the internalization of costs threatens seriously the ability to accumulate capital (Dunaway 1999: 294–95).

In addition to the crisis related to internalization of costs, natural resources are more and more scarce, and there are few ecological zones left to incorporate. There are three ethno-ecological situations in which counter-hegemonic mobilizations occur frequently:

1. minorities whose resources or territories are targeted for appropriation by their national governments or by dominant ethnic groups (Sharma 1995);
2. minorities whose geographical spaces have been subsumed into capitalist economic processes but whose traditional reliance on the environment is in conflict with those modern export activities (Wilmer 1993; Posey 1996);
3. minorities whose ecological spaces are threatened by the terms of multinational trade agreements, such as patenting, genetic modification, and intellectual property rights (Brown 1998; Churchill 1991).

The struggles of indigenous peoples to maintain autonomous control over their ecosystems represent direct threats to states and to core capitalist ecological hegemony. The requirement of a functioning interstate system is that there cannot be any "no-man's-lands, no zones that were not part of some particular state." (Wallerstein 1991b:190). According to Kingsbury (1998:456), "the concept of 'indigenous peoples carries within it grounds for *justification* related to prior occupancy," thus linking ethnic identity, land control, and political autonomy in ways that are not characteristic of other ethnic groups. Wilmer (1993:99) puts

it succinctly: “the reason there is so much mounting international pressure on and attention to indigenous peoples is that they are the only ones with resources left.” Indigenous are much more likely than other minorities to be in cultural or religious conflict with the logic of capitalist exploitation of ecosystems (Escobar 1999; Sivaramakrishnan 1995). Control over land, eco-knowledge systems, and traditional economic activities continue to be the key issues in indigenous struggles for autonomy from the state and from the world-system (Smith and Ward 2000). Ethnic minorities mobilize when indigenous ecosystems are redefined as “national assets” to be used to support national participation in the world-economy (Sharma 1995). The state’s continuing attempts to expropriate land and ecological resources are likely to trigger stronger indigenous demands for political autonomy. The “public domain” rights of the nation-state are weakened by new international pressures and by new legal regimes that defend indigenous ecosystems and challenge capitalist notions of patent rights (Brown 1998; Churchill 1991; Posey 1996; Holley 1997; Takeshita 2001).

#### ECONOMIC AND HUMAN COSTS ASSOCIATED WITH ETHNIC VIOLENCE

The human costs of ethnic violence are staggering. Since 1945, more than 60 million people have died in ethnic conflicts. In comparison to the Cold War years, the death toll from ethnic conflicts was actually lower in the 1990s. Still there are now 7 times more refugees and displaced persons each year than there were in the 1970s. Each year since 1990, ethnic violence has displaced 13 to 16 million people within their own countries and generated 20 million or more refugees who moved across borders. In many regards, transnational refugees are much more costly to the world-system than are deaths that occur within countries. In addition, the military costs of ethnic repression and peacekeeping, the cost of rebuilding destroyed infrastructure, and the costs of humanitarian relief services are staggering for the individual state and for the international community. A typical inter-ethnic war of the 1990s destroyed 42 percent of the schools and health facilities and threw the country into a spiral of economic decline (UNHCR 2002). In areas of extended ethnic violence, the warfare accounts for more than one-third of child deaths, drives half or more of the rural population off their lands, and leaves one-third to one-half of the civilians homeless. In addition, one-quarter to one-half of the women are raped, resulting in escalation of AIDS (Amnesty International 2002; UNHCR 2002).

#### CONCLUSION

I disagree with the claim that there is a dramatic increase in ethnic conflict since the end of the Cold War. However, ethnification and indigenism are inher-

ent structural contradictions of the modern world-system that will not diminish. Moreover, ethnic mobilizations pose their greatest challenge to the world-system during an age of transition. I emphasize two mechanisms through which ethnic and indigenous resistance helps to drive this transition. Ethnic mobilizations (a) erode the capitalist civilizational project and (b) increase costs to the system in ways that exacerbate the escalating profit squeeze. I identify five ways in which the counter-hegemonic mobilizations of ethnic minorities are costly to the world-system and can push it toward bifurcation and transformation.

When does ethnic conflict become a threat to the survival of the world-system? Most obviously, when that accumulated resistance makes it too costly for capitalism to operate in most of the world. Unfortunately, I am not convinced that resistance by ethnic minorities is yet approaching that level. On the contrary, at least half those movements seek to integrate minorities into the failing system. However, these groups represent insurgencies from the very bottom of the system, so they will force capitalists into a lose-lose game over the long run. Repression is costly, but *full incorporation* would be even more costly. Elimination of the bottom strata weakens the foundational structure of super-exploitation on which the system rests.

What can we expect in the immediate future? Even if we are in a period of declining hegemony and even if ethnic mobilizations will significantly erode and weaken the capitalist civilizational project, there is no immediate good news here for the indigenous peoples and the ethnic minorities of the world. Core degradation and over-consumption of the world ecosystem will continue, further endangering the territories of indigenous peoples. Since disarmament is unlikely, the core and elites in the periphery and semiperiphery will continue to repress in bloody fashion the world’s indigenous and ethnic minorities. Eventually, these secular trends and others will reach a threshold or bifurcation point from which a new sort of world-system will emerge after great turbulence.

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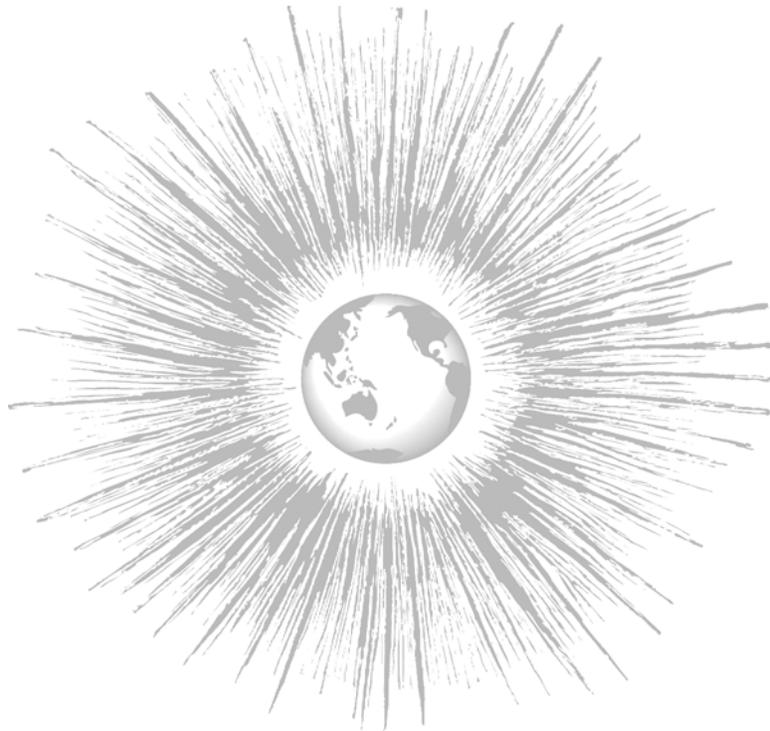
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# SPATIAL SYNCHRONY AMONG AND WITHIN WORLD-SYSTEMS: INSIGHTS FROM THEORETICAL ECOLOGY\*

*Peter Turchin  
Thomas D. Hall*



## INTRODUCTION

Political processes within world-systems are often characterized by cycles or waves. Chiefdoms cycle (Anderson 1994, 1996), empires rise and fall, and the modern state system undergoes “power cycle” or “hegemonic sequence.” Furthermore, all world-systems “pulsate”—expand rapidly, then more slowly, or even contract (Chase-Dunn and Hall 1997, 2000). Because spatial waves of expansion/contraction occur across all types of world-systems, such pulsations cannot be rooted in a specific mode of production or mode of accumulation. Rather, these cycles are themselves evidence that politics and world systems are dynamical systems with various feedback loops.

Afroeurasia (in conventional terms Asia, Europe, northern Africa) has been linked, at least at the information and luxury goods exchange levels (Chase-Dunn and Hall 1997), for two and a half millennia or more. Thus, events and processes in Europe cannot be explained solely by examining European processes, a conclusion strongly supported by Pomeranz (2000). On the other hand, the degree of Afroeurasia-wide linkage fluctuated, so that world-systems at opposite ends of Afroeurasia were nearly isolated for long periods of time. One interesting puzzle is why there is a substantial linking of rise/fall processes at the western and eastern ends of Afroeurasia during the last two millennia (Teggart

## ABSTRACT

This paper reports on research in population ecology and suggests ways it might be useful in explaining spatial dynamics of states, groups, and world-systems. In particular it focuses on how and why populations at opposite of ends of Afroeurasia come to rise

and fall simultaneously over long periods of time. We call for exploration of research in population ecology for understanding world-system evolution and suggest directions for possible future research.

Peter Turchin  
Department of Ecology and Evolutionary Biology  
75 N. Eagleville Rd  
University of Connecticut  
Storrs, CT 06269-3043  
[turchin@uconnvm.uconn.edu](mailto:turchin@uconnvm.uconn.edu)  
<http://www.eeb.uconn.edu/faculty/turchin/turchin.htm>

Thomas D. Hall  
Department of Sociology & Anthropology  
DePauw University  
Greencastle, IN 46135  
[thall@depauw.edu](mailto:thall@depauw.edu)  
<http://acad.depauw.edu/~thall/hp1.htm>

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1939; Frank and Gills 1993; Frank 1992, 1993; Chase-Dunn and Hall 1997, 2000; Denmark et al. 2000). For example, increases and decreases in the territorial sizes of empires and the population size of cities correlate between East Asia and West Asia/Mediterranean (e.g., Chase-Dunn, Manning, and Hall 2000). Yet, there appears to be little linkage to cyclical processes in South Asia (Chase-Dunn, Manning, and Hall 2000). Interestingly, archaeologists have noted seeming parallels in rise and fall of ancient cultures in what is now southeastern and southwestern United States (Neitzel 1999).

There has been much speculation about what processes drive various cycles within world-systems, what mechanisms may lead to (partial) synchrony between some world-systems separated by great distances, and why there is little or no synchrony between others (Denmark et al. 2000; Frank 1993; Grimes 2000). The current state of the field bears a striking similarity to the debates that occurred among population ecologists a few decades ago. Ecologists also found that many population systems go through regular oscillations, and that these population cycles are synchronized across distances of hundreds, and sometimes thousands of kilometers. We argue in this paper that there is much to be learned from what ecologists have found from their studies, analyses, and models of oscillatory population systems. While ecological models and analytical approaches cannot be imported wholesale, or without adjustment, into world-system problems, they do offer a number of useful insights, and suggestions for future research.

Many ecological studies are highly analytical, and current standards of scientific rigor in the discipline (especially in the study of population oscillations and spatial synchrony) require translation of verbal hypotheses into mathematical equations. The benefits of this approach are the ability to subject predictions from rival hypotheses to rigorous quantitative tests. However, model construction requires making simplifying assumptions. Surprisingly, however, the resultant models are often quite robust with respect to these initial assumptions. That is, “first-cut” models can be investigated mathematically as to the consequences of relaxing the initial assumptions for theoretical predictions. Repeated applications of this process can extend theory and simultaneously increase confidence in the answers that it provides. The conditions under which population cycles become synchronized have been a focus of an intense theoretical (and empirical) investigation over the last several decades, leading to a fairly mature state of understanding of synchrony.

A key insight from ecological theory is that the processes driving oscillations (the rise/fall dynamics) and the processes causing large-scale synchrony need not be the same. In fact, current empirical research shows that in ecological systems they are typically distinct. Ecological models show that if two (or more) sys-

tems separated in space are driven by largely endogenous dynamics, and if their endogenous dynamics are broadly similar (e.g., have approximately the same period), then their cycles may be synchronized by a variety of shared exogenous perturbations, and these perturbations need not be very strong. The process of bringing spatially distant oscillations into phase by weak exogenous influences is sometimes called “entraining” or “phase-locking.” This insight, in particular, is suggestive for possible explanations for the synchrony of population and city-size changes in east and west Asia.

Our goal in this paper is to review recent developments in ecological theory of spatial synchrony, and discuss its possible applications in world-system research. Because the nature of endogenous processes underlying systemic oscillations is a key ingredient in the explanation of large-scale synchrony, we begin by reviewing cyclical processes affecting the dynamics of polities and world-systems. Second, we review the theoretical results from ecological models. Third, we discuss some broad patterns in the Afroeurasian history from the point of view of the theory we present here. Fourth, we conclude that this preliminary examination is sufficiently promising to warrant further theoretical and empirical investigation of this extension of ecological theory to world-systems problems. Finally, we discuss directions for future research suggested by the theory, and, in particular, how some of these hypotheses might be tested with data.

## CYCLIC PROCESSES IN WORLD-SYSTEMS

For the most part world-system analysts have focused on two cyclical processes: the Kondratieff wave (K-wave) and the hegemonic cycle. K-waves are shown by approximately 50-year cycles in prices. The upswing is called the A-phase, the downswing the B-phase. K-waves are notoriously difficult to date precisely because they must be measured indirectly via trade volume and prices (Barr 1979; Boswell and Misra 1995; Goldstein 1988; Grimes 2000). The basic dynamic is that a new technology allows economic expansion. Eventually the market saturates, and competition increases, and the expansion slows until another cycle, based on yet another new or renewed technology develops. Kondratieff waves have been discussed primarily in the context of the modern capitalist world economy. However, several authors (Modelski and Thompson 1996, 2000) have traced K-waves back into the 12th century.

Hegemony, in a non-Gramscian sense, is a condition in which one state in a core region dominates a world-system through economic and political power, typically without overt coercion. Once its power peaks, hegemony is lost, or at least declines, and the core is marked by much more intense inter-state rivalry and competition. Hegemonic cycles are about a century long, and may be related to K-waves in complex ways that are currently debated (Thompson 2000).

“Secular cycles,” periodic waves of state breakdown accompanied by oscillations in population numbers, are a third type of cycle (Goldstone 1991; Fischer 1996; Nefedov 2001; Turchin 2003). Secular waves arise as a prediction from demographic-structural theory, which focuses on the dynamic interaction between population numbers and sociopolitical stability. Jack Goldstone (1991) analyzed the effect of population growth on state breakdown. Briefly, population growth in excess of the productivity gains from the land leads to persistent inflation and rising real costs, which outstrips the ability of the state to increase tax revenues. Rapid expansion of population also results in an increased number of aspirants for elite positions, putting further fiscal strains on the state, and intensifying intra-elite competition and factionalism. Increased rural misery, urban migration, and falling real wages lead to frequent food riots and wage protests; expansion of youth cohorts contributes to the population mobilization potential; and elite competition and popular discontent fuel ideological conflicts. As all these trends intensify, the end result is state bankruptcy and consequent loss of military control, elite movements of regional and national rebellion, and a combination of elite-mobilized and popular uprisings that manifest the breakdown of central authority (Goldstone 1991:25).

State breakdown and resulting sociopolitical instability cause a population decline, both through their effects on demographic rates, and by damaging a society’s productive capacity (Turchin 2003). First, political instability causes lower reproduction rates, because during uncertain times people choose to marry later and to have fewer children. Also, family limitation practices may be disguised as increased child mortality. Second, mortality rates rise as a result of increased crime, banditry, and internal and external warfare. Migration from war- or famine-affected areas leads to increased emigration, declining birth rates (because people on the move cannot afford to have children), and epidemics. Increased vagrancy, movements of armies, and movements of rebels spread disease by connecting areas that would stay isolated during better times. Political stability or instability can also affect the “carrying capacity.” Strong states support the agricultural productivity by constructing irrigation canals and roads, by implementing flood control measures, by clearing land from forests, etc., thus increasing the numbers of people that can be gainfully employed growing food. Additionally, a strong state offers protection. In an anarchic society people can live only in natural strongholds, or places that can be made defensible. Fear of attack can lead farmers to cultivate only that proportion of productive area that is near fortified settlements. A strong state protects the productive population from external and internal (banditry, civil war) threats, and thus allows nearly all cultivable area to be put into production.

Mathematical modeling of the interaction between population dynamics and

sociopolitical instability suggests that agrarian societies should go through cycles of alternating phases of political centralization/population growth and political decentralization/population decline. A typical period of such “secular cycles” is two to three centuries (although the theory predicts that in societies characterized by widespread elite polygyny, the cycle period should be shorter, around one century—these are “Ibn Khaldun” cycles, which we will discuss in later section). A recent survey by Turchin and Nefedov (2004) suggests that secular cycles are a ubiquitous feature of Afroeurasian history during the last 3–4 millennia.

Effects of hegemonic cycles and secular waves ripple through world-systems and, perhaps, beyond. Sociopolitical cycles give rise to cycles of colonization and decolonization, war and peace, state-formation and state collapse, and a variety of social and cultural movements. These cycles do not necessarily determine or cause these processes. Rather, they may create structural conditions that facilitate, or retard, their course (see Grimes 2000; Boswell 1989; Boswell and Sweat 1991; Boswell and Chase-Dunn 2000:Ch. 2).

Arrighi and Silver (1999; Arrighi 1999) argue that globalization also has spread in waves, corresponding to cycles of hegemony. A key part of their argument is that state capacity to govern is never entirely stable but waxes and wanes with world-systemic cycles. Waves of globalization are yet another example of how these cycles shape social processes. Chase-Dunn et al. (2000) document waves of globalization in the late 19th and late 20th centuries.

We also note that a world-system typically has multiple kinds of boundaries, and except for small systems, islands, and the 20th century world-system, these boundaries do not coincide—they are nested within each other. There are at least four different types of boundaries (Chase-Dunn and Hall 1997). At the smallest scale are the bounds of bulk goods trade, the bulk goods network (BGN). Next in size are the bounds of regular political-military interaction, the political-military network (PMN). Then there are two much larger, but typically different boundaries. Often the slightly smaller of the two is the luxury or prestige good net (PGN), and the typically somewhat larger, information or cultural net (IN). All four boundaries can be fuzzy. If one thinks of a topographic map of each of these features, the “boundary” would be zone of a sharp drop off, what would look like a cliff or very steep slope. Synchronization can occur at any of these four levels. However, each level would have its own mechanisms and dynamics. These differences between networks and corresponding boundaries, of course, are more salient in ancient world-systems than they are in the contemporary world-system.

Clearly, there are many potential levels of synchrony among the various world-system cycles. As noted in the introduction, several have been documented empirically (e.g., Chase-Dunn, Manning, Hall 2000). Other than the

speculations by Chase-Dunn, Manning and Hall (2000), very little has been offered by way of explanation. Furthermore, synchrony, or entraining, between east and west Asia does not extend to south Asia, which itself is another puzzle. We argue that an examination of what ecologists have found about synchrony may provide leads for exploring the mechanisms and hence explaining the causes of synchrony across world-systems. We begin that task with a brief overview of synchrony from an ecological perspective.

#### WHAT THE ECOLOGICAL THEORY SAYS ABOUT SYNCHRONY

Ecologists have long puzzled over why many oscillatory population systems exhibit large-scale spatial synchrony. In fact, in the very paper that inaugurated the scientific study of population cycles Charles Elton also speculated why lemming peak years should be synchronized across much of Norway (Elton 1924). An even more striking pattern of spatial synchrony was later observed in the Hudson Bay Company data on lynx pelts (Elton 1924). It turned out that the ten-year lynx cycle is synchronized over the whole taiga region of Canada. In 1953 P.A.P. Moran developed statistical approaches for analyzing spatial aspects of lynx population cycles, and proposed a formal mechanism that could explain large-scale synchrony (Moran 1953). This mechanism is currently known in the ecological literature as “the Moran effect” (Bjornstad, 1999; more on the Moran effect below). Moran’s pioneering work inspired an enormous number of modeling, statistical, and empirical studies, leading to a rapid maturation of the theory of spatial population dynamics during the 1990s (for a review see Bjornstad, 1999). A key issue was determining which mechanisms may cause synchrony.

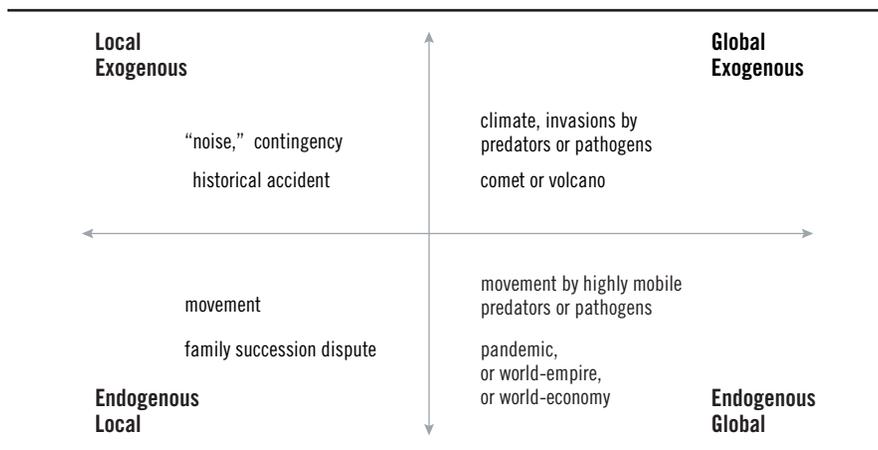
#### Synchronizing Mechanisms

Ecologists have classified mechanisms that induce spatial synchrony along two continua: exogenous versus endogenous and local versus “global.” A factor  $X$  is called an exogenous mechanism if it is not part of the feedback loop:  $X$  affects the variable of interest, while the variable of interest does not affect  $X$ . By contrast, an endogenous factor is one that is part of a feedback loop: the variable of interest affects  $X$  and then the change in  $X$  affects the variable of interest. Of course, we do not always (or even often) know all the feedback loops that affect the dynamics of the variable of interest. Thus, in practice, we call endogenous only those mechanisms, whose feedback influences are explicitly taken into account (e.g., modeled). For example, in human-dominated ecosystems the usual assumption that climate affects population, but population does not affect climate, does not necessarily hold. Chew (2001) shows that early human civilizations so denuded forests and salinized agricultural land that they may, indeed have changed local, if not regional, climates. Some of these changes may

be system-wide. Planetary changes are probably only a 20th or 21st century phenomenon (see also Crowley 2000; Hornborg 2001; Mann 2000; Thomas 1956; Turner 1990). Still, in world-system applications some climatic changes may need to be modeled as endogenous, rather than exogenous processes.

Ecological theorizing uses the terms “local” and “global” in ways that differ significantly from usage in world-systems analysis, a difference that can generate confusion. We review these differences since virtually all ecological research uses these terms in a consistent way. A “local” mechanism is one whose effects fall off with distance. By contrast, a “global” mechanism affects all points in the relevant space similarly, without any regard to how far these points are from each other. Thus, the term “global,” as used in ecological literature, might be glossed as “system-wide” in world-system terms. For clarity, we use “planetary” when we mean the entire world, and “global” only as in ecological theory. The spatial scale of a local mechanism can be measured in a variety of ways. One of the most useful approaches is to calculate the spatial autocorrelation function (ACF). A typical ACF is close to 1 for small spatial lags (because points located near each other tend to be highly correlated). As spatial lag is increased, ACF declines to zero (reflecting lack of correlation between points separated by large distances). Thus, a rough measure of the spatial scale of spatial autocorrelation is the spatial lag at which ACF becomes statistically indistinguishable from zero. As the spatial scale on which a process operates increases local mechanisms grade smoothly into global. In practice, whenever the spatial scale of a mechanism is greater than the extent of the spatial domain, within which the dynamics of interest occur, it should be treated as global. ACFs of global processes remain positive (do not decline to zero) for the whole range of spatial lags possible within the spatial domain. In other words, even points situated at the opposite sides of the domain exhibit some degree of synchrony.

Given the two classificatory dimensions (endogeneity and locality), we can define four regions of a universe of potentially synchronizing processes (Figure 1). Ecologists have tended to concentrate on two: the global exogenous and local endogenous mechanisms. The most discussed global exogenous factor in ecology is climatic variation. It is a quintessentially exogenous process because variation in temperature and rainfall can have a very strong effect on survival and reproduction of organisms, while fluctuations in organism population numbers almost never have an effect on weather (although in humans this is not necessarily true, as noted above), especially on the short time scales of interest to population dynamicists. On the spatial scale at which ecologists study most populations, weather patterns are best thought of as global. For example, variations in temperature are highly cross-correlated across hundreds of kilometers. On short temporal scales, precipitation may have a distinct local character (when a summer

**Figure 1— Dimensional Continua of Mechanisms of Spatial Synchronicity**

thunderstorm dumps a couple of cm of water in one locality, while leaving another, only a km away, dry). On a longer time scale, however, such local effects tend to even out (wet versus dry summer conditions affect large areas, hundreds of km in extent). In any case, close examination of specific mechanisms shows that the global-local distinction defines a continuum, and not a dichotomy. For world-systems analysis, given the potential effects of human activity on climate (see Chew 2001), clearly "global" or system-wide mechanisms would be a massive volcanic eruption or collision with a sizable comet. Alternatively, if there is a truly exogenous climatic shift (due, say, to sun spot cycles or some such mechanism that humans could not affect) and if it were planetary, then we should see global synchrony, across Afroeurasia, Meso- and South America, Southeast Asia, and sub-Saharan Africa. This would still require some subsidiary explanation for the already documented lack of synchrony in South Asia.

The quintessential local endogenous mechanism is movement. It is endogenous because the number of organisms spreading from a source depends very much on the population density at the source. It is local, because organisms do not "teleport"—in order to get to there from here, an organism must travel through the intervening space. The result is a characteristic pattern of movement, in which the density of dispersers declines with the distance from source. We note that movement is not limited to the population under study; it may also refer to movement of other components in the dynamical system, such as predators or pathogens. Socially, disputes in family succession among elites, as among Mongols who had competing lines of succession (Barfield 1989; Chase-Dunn and Hall 1997: Ch. 8) would be examples (laterally and lineally). Rules of suc-

cession or descent vary by cultural group, and thus are typically highly localized. Such rules do change, but typically only very slowly, often pushed by changes in the ecology of production and adaptation.

Once again, although movement tends to the local endogenous corner of the classificatory universe, under certain circumstances it may become either exogenous or global (or both). An example of movement acting in an exogenous manner is when the area under study is subjected to recurrent invasions of predators or pathogens from outside. Movement may act globally (or in a system-wide manner), rather than locally, when the scale of dispersal is much larger than the extent of the spatial domain. In ecological applications, movements by predators often occur on a much larger scale than movements of their prey. For example, lynx—the main predator of snowshoe hares—have been known to travel over a thousand kilometers. To give another ecological example, many fungal pathogens disperse by spores that may be carried by wind over very large distances. An analogous feature among humans would be the propensity to bring small, exotic souvenirs from distant places, and/or to trade them over great distances (Helms 1988). Another example might be the appearance of new, airborne pathogen that (nearly) simultaneously affected all human populations. The diffusion of the Black Death in the 14th century, *might be* such an instance, since it appears to have spread from Central Asia to both East Asia and West Asia (and Europe) (McNeill 1976). Finally an ecumene-spanning empire, or a world-economy might be considered an endogenous global factor. Consider the widespread effects of the Roman Empire or the current effects of U.S. foreign policy, which may be the analog of "highly mobile predator." Thus, both Iraq and North Korea, separated by thousands of kilometers, are under similar kinds of pressure to change.

Finally, there is the local, exogenous corner of the classificatory universe. This is essentially the "random" corner, where noise, or contingency seems most likely. In social terms, this would be "historical accident." We note, however, that while the event(s) may be accidental or random, their consequences are not (in the sense that their effect may depend on the state of the system).

We reiterate that local-global and exogenous-endogenous are not discrete dichotomies, but rather continua between extremes. As one moves toward the center of the classificatory universe, these distinctions begin to blur and finally merge together.

### Types of Oscillatory Dynamics

The efficacy of different mechanisms described above to synchronize oscillations depends on the nature of the dynamics characterizing the synchronized systems. The key distinction is between stable and chaotic oscillations. Chaos

is defined as bounded oscillations with *sensitive dependence on initial conditions* (Eckman and Ruelle 1985). Sensitive dependence can be illustrated with the following mental experiment (or even better, a computer experiment). Suppose we have a dynamic system, which started from a certain initial condition and then generated a certain trajectory. Now imagine that we restart the system from an initial condition that is slightly different (on the computer, we simply rerun the program, but give it a different initial data). If the system is chaotic, then we will observe that the two trajectories starting from very similar but different initial points will diverge with time, and eventually oscillate in a completely uncorrelated fashion. If the system is stable, then the two trajectories will converge and soon become completely indistinguishable from each other; they will oscillate in perfect synchrony. Returning to the chaotic system, the faster trajectories diverge the more sensitive to initial conditions (and therefore the more chaotic) the system is.

The same argument applies to the behavior of two identical or very similar systems. If their dynamics are stable, then the two systems starting from similar initial conditions will tend to oscillate in synchrony. Small random perturbations will keep them out of perfect synchrony but the stable nature of the two systems will act to bring the two trajectories back in synchrony. By contrast, two identical chaotic systems starting even from very similar initial conditions will rapidly diverge and oscillate asynchronously (this is sometimes known as the “butterfly effect”). Small random perturbations will make this process of divergence even faster. This is why the dynamical stability is such an important factor in allowing synchronous oscillations. It is very hard to synchronize two chaotic systems.

### The Effect of Different Synchronizing Mechanisms on Spatial Dynamics

The ability of any particular mechanism to synchronize dynamics depends on its nature, as well as on the nature of local population dynamics. In general, exogenous drivers are not particularly powerful synchronizing mechanisms. A substantial degree of spatial synchrony requires, first, that local dynamics are stable (nonchaotic) oscillations and that, second, the exogenous factor acts in a global (or system-wide) manner. The mechanism of entrainment is the Moran effect, which acts as follows. Consider two stable dynamical systems driven by identical (or, at least, similar) mechanisms. For example, two spatially separate locations are inhabited by the same prey and predator species that undergo cyclic population interactions. Subjecting the two stable systems to similar perturbations from an exogenous driver is akin to starting them with similar initial conditions: eventually both systems will oscillate in synchrony. By contrast, subjecting two chaotic systems to identical perturbations will not synchronize them, because they will diverge from each other due to their sensitive dependence properties.

If an exogenous factor acts in a local manner, then its synchronizing strength will depend on how effectively the exogenous perturbations acting on each local system are cross-correlated. Furthermore, the effects of synchronizing external drivers may be degraded by other exogenous drivers, which may act independently on each system.

Note that the usual way of modeling exogenous influences in dynamical systems is by assuming that exogenous drivers affect the rate of change of a dynamic variable such as the population density of the studied organism. For example, an unseasonable freeze may impose 50% mortality on a population, which means that the population size will be halved. Such relative changes cannot synchronize chaotic systems for reasons given above. Another kind of an exogenous influence is one that “resets” each system to approximately the same value, instead of affecting its rate of change. That is, it makes the initial conditions in both systems virtually identical, hence they will be synchronized for some time, until the chaotic process begins to produce divergence. Multiple “resetting” perturbations can impose a fairly high degree of synchrony even on chaotic systems. The average degree of synchrony will depend on how frequently “resetting” events occur, and how fast trajectories of local systems diverge after each resetting event.

Endogenous factors such as movement have a greater potential for inducing spatial synchronization, especially if the local dynamics are characterized by stable limit cycles. Ranta et al. (1998) showed that even relatively low rates of movement can induce a near-perfect synchrony of local cycling populations. This property of nonlinear systems is called phase-locking (Bjornstad 1999). However, populations coupled by movement will remain uncorrelated if they are characterized by locally chaotic dynamics.

Oscillatory dynamics in ecology arise most often as a result of population interactions between predators and prey (or, more generally, between ecological consumers and their resources, see Turchin 2003). It is important to remember that both predators and prey can move around. Depending on the dynamical nature of interaction (e.g., stable equilibrium, stable limit cycles, or chaos), and on the details of movement behavior (e.g., the movement rate of predators relative to that of prey, ability of predators to track prey aggregations) predator-prey systems in space can give rise to second-order spatial covariance, which can take the form of traveling waves and static patchy patterns (Bjornstad 1999). We do not have space here to give justice to this rich and subtle theory, but wish to mention one kind of behavior, which may be of relevance to world-system dynamics—out-of-phase oscillations.

To illustrate this kind of behavior, consider a two-patch system incorporating both dispersal and local dynamics, coupling two discrete-time logistic equations (Hastings 1993). This deceptively simple system is capable of a surprising

diversity of dynamical behaviors, depending on parameter values and initial conditions, but we are interested only in the out-of-phase cycles. What happens is that when patch 1 is low, patch 2 is high. On the next step, population in patch 1 grows, plus the patch gets a lot of migrants from patch 2. This causes patch 1 to overshoot its equilibrium, so on the subsequent step the population in it collapses. Meanwhile, patch 2 is affected by the same events, except they are shifted in phase with respect to patch 1. In other words, the interplay of movement and local dynamics leads to the behavior in which population size in each patch goes through recurrent cycles, while the total population (the sum of both patches) is constant.

### Statistical Issues

Above we have devoted a lot of attention to the issue of what mechanisms may bring about large-scale synchrony. The implicit assumption here is that we are dealing with an empirical case of synchronous dynamics and the question is how to explain it. Given limited and noisy data, however, how do we know that there is a pattern to be explained, in the first place? Thus, we need to say something about the null hypothesis of no synchrony, and how to distinguish it statistically from cases where synchrony is present. The problem is that two unconnected systems, but with similar dynamics (for example, the same period of oscillations) may look like they are synchronized, especially in limited runs of data. If, purely by chance, the two systems are in phase at the beginning of the observed period, they will continue cycling in phase for several oscillations, simply because the endogenous dynamics of each system generate cycles of the same period. Such a spurious synchrony may continue for some time before the systems diverge, either because their periods are not exactly the same, or because each system is affected by a different set of exogenous influences (or because of sensitive dependence). If data are limited, however, it may appear as though the two processes have been synchronized by some external force. An example of spurious synchrony is Charles Elton's proposal that the lynx cycle in boreal Canada is driven by the sunspot cycle. Indeed, during the 19th century, the two series were largely in phase. However, eventually the two series diverged, so that by mid-20th century they were in a perfect antiphase! These two dynamical systems appear to be entirely unconnected, and the spurious synchrony observed during the 19th century arose as a result of very similar periods of oscillations (both slightly above 10 years).

Thus, it is important to keep in mind that simple-minded approaches, such as measuring cross-correlations and testing their statistical significance with some standard formula such as Bartlett's rule (Chatfield 1989) can be very misleading. Standard measures of significance assume that data are independent of

each other, while in an oscillatory system subsequent data points are positively autocorrelated, inflating the statistical significance of the test. Methods for correcting significance level in such situations exist (e.g., Sciremammano 1979), but perhaps the best approach is to use some version of bootstrap (Efron and Tibshirani 1993).<sup>1</sup>

The problem is that rigorous approaches require rather long data sets. In other words, tests for significant cross-correlation between two oscillatory time series are characterized by low power. The problem is not lack of cleverness in designing powerful tests, but in the nature of the problem. In order to be sure that two series are not spuriously correlated may require a very long wait to see if they diverge. Fortunately, mechanism-free statistical tests are not the only way to investigate spatial synchrony. An alternative (or, rather, complementary) approach is to characterize the potential mechanisms that may (or may not) bring about spatial autocorrelation. Thus, in practice the question of whether there is synchrony and what factors explain it are not completely separable, and need to be addressed jointly.

### Summary

Spatial dynamical systems are capable of a very diverse spectrum of behaviors. Nevertheless, certain common themes emerge from this review. First, spatial synchrony is promoted when two local systems are driven by similar dynamical mechanisms. In fact, such systems can exhibit spurious synchrony: even though there is no synchronizing mechanism, the two systems oscillate in step because they happened to start from similar initial conditions. Second, processes that act globally (that is, on a system-wide basis) promote large-scale spatial synchrony. Third, the type of local dynamics affects very much whether any particular mechanism will induce synchrony. Systems with stable oscillations can be synchronized over vast geographic distances by global exogenous influences. The degree of synchrony will usually not be very high, because each local system will also be affected by other exogenous factors that are not highly autocorrelated

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<sup>1</sup> A bootstrap is a computer-intensive method for testing hypotheses. The basic idea is to construct a model for the null hypothesis—in this case, two oscillating system *without* any synchronizing connections. One then generates many data sets similar to this situation (e.g., same length of time-series and same degree of noise), and calculates the test statistic—here the cross-correlation coefficient. Then the data-base correlation coefficient is compared to the bootstrapped correlations. For example, for a p-level of 0.05, the data-based statistic should be greater than 95% of bootstrap statistics (see Efron and Tibshirani [1993] for more elaborate discussion).

across space (noise, contingency). Endogenous factors such as movement may result in a very high degree of synchrony—phase-locking, but the spatial extent of such synchronous oscillations may not be great, because the effect of movement tends to attenuate rapidly with space. Additionally, endogenous processes may cause out-of-phase cycles (anti-synchrony, so to speak).

Finally, chaotic systems are very difficult to synchronize either by exogenous or endogenous mechanisms. Only global catastrophes that reset all locations to approximately the same initial conditions can impose some (fleeting) degree of synchrony on chaotic systems. Examples include events such as collision with a large comet, like the one that is hypothesized to have led to the extinction of dinosaurs, or a massive volcanic eruption, such as Thera (see also Weiss, et al. 1993).

## IMPLICATIONS FOR WORLD-SYSTEM RESEARCH

### East-West Synchronicity and Global Climate

As we mentioned in the Introduction, one empirical pattern that requires explanation is synchronous changes of empire sizes in West and East Afroeurasia. Ecological theory suggests several hypotheses, the simplest one being the effect of an exogenous global factor—climate. World-system theorists (Chase-Dunn et al 2000) have already suggested this explanation, but historical demography (Galloway 1986) presents it in its most developed form. Galloway (1986: Figure 6) plotted the solar activity index (considered to be one of the most important drivers of global climate change) and populations of Western Europe and China from 400 BCE to 1800 CE. Dynamics of the solar activity index (see Eddy 1977: Table 1) suggests that there was a long-term period of warm climate with the peak around 20 BCE–80 AD (the Roman Maximum). The second such warm period was from 1120 to 1280 CE (the Medieval Maximum). Between these two maxima, there was a period of cooler temperatures (the Medieval Minimum, 640–710 CE). After the Medieval Maximum, solar activity declined (the Spörer Minimum, 1400–1510 CE), then increased somewhat, declined again (the Maunder Minimum, 1640–1710), and increased again in the late 19th and 20th centuries. As noted by Galloway, populations of Western Europe and China increased and decreased roughly in parallel with solar activity.

The Roman Maximum in solar activity coincides with two great empires dominating the eastern and western ends of Eurasia: Han China and the Roman Empire. However, while this is a remarkable correlation when examined at a coarse time scale, finer scale resolution does not reveal a close parallelism in the sociopolitical dynamics of the two empires. The Roman polity went through three secular cycles: the Republic, followed by the decentralization phase during

the late 2nd and most of the 1st century BCE, then the Principate, followed by the troubled 3rd century, and finally, the Dominate, followed by a final collapse in the West during the late 5th century. By contrast, the first peak of the Chinese empire (Western Han Dynasty) occurred during the 1st century BCE, just when the Roman polity was convulsed by a series of civil wars. The interregnum between the Western and Eastern Han dynasties was during the 1st half of the 1st century CE, the Eastern Han peak was during the 2nd century, and the collapse of the Han dynasty occurred during the 3rd century, which coincided with the similar period of the Roman Empire. There was no third secular wave in China, however, but a long period of disunity until the Sui-Tang unification. Population fluctuations, as far as they are known, followed closely the sociopolitical dynamics. Thus, while the broad period of 200 BCE–200 CE was characterized by large empires and high population densities at both ends of Eurasia, finer dynamics within the period came into and out of phase.

A similar pattern appears to hold during the next warming period (roughly from 700 to 1200 CE). The peak of the Early Tang dynasty occurred around 700 CE. It experienced a collapse during the middle of the 8th century, a restoration (the Late Tang dynasty) during the 9th century, and a final collapse in 907. By contrast, Carolingian empire reached its peak around 800 CE, and disintegrated during the 9th century. During the same period another large Eurasian empire, the Caliphate, went through two shorter cycles: Omayyads (661–750) and the Abbasids (750 to around 860 when the dynasty became a pawn of the Turkic *ghulams* [slave-warriors]).

In the next wave, North Sung declined during the 12th century, followed by the Mongol conquest of the 13th century (South Sung fell to the Mongols only in 1279). Chinese population declined catastrophically during the 13th century dynastic collapse and nomadic conquest. By contrast, in Western Europe the population peaked around 1300 CE, and the actual collapse occurred only in post-Black Death period. Political disintegration in Western Europe, however, occurred in patchy manner. The German-Roman (later known as Holy Roman) Empire disintegrated fairly synchronously with the Sung (although the process was by far less violent). On the other hand, France experienced the worst periods of civil war around 1370s and 1420s (two peaks of the Hundred Years War), while England's turn came only in 1450–1485 (the Wars of the Roses). By that time the Chinese had already expelled the Mongols (in 1368) and unified all China under the Ming dynasty. Again, when viewed broadly, the Medieval Warm Period is the time of strong empires and dense populations, but when we consider dynamics *within* the period, synchronicity largely falls apart. This observation supports the idea that climate did not directly drive the secular wave, but rather modified it

in a way that imposed a certain degree of synchrony between the East and the West.<sup>2</sup>

### The 17th Century Crisis

What is highly interesting is that the next wave of state collapse—the so-called crisis of the 17th century—affected practically all Eurasian empires (apart from the South Asian region) essentially simultaneously (Goldstone 1991). The “long 17th century” began ca. 1570 with religious warfare in France, the Dutch Revolt, the troubled second half of Ivan the Terrible’s reign in Russia, and the daimyo-led civil war in Japan. During the first half of the 17th century, Russia went through the Time of Troubles, Central Europe was devastated by the Thirty Year War (during which Germany lost a third to half of its population), the Ming dynasty fell in China and was replaced by the Manchus, Spain experienced the Portuguese and Catalanian revolts, the Ottoman Empire almost disintegrated, and the English decapitated their king. The 17th century was also the period of widespread famine and epidemics. All regions of Eurasia (apart from India and Iran) experienced population declines, in some cases quite extreme (as in Central Europe).

The crisis in the 17th century was unique in the history of Eurasia. The next wave of state collapse was not as tightly bunched. Thus, the Age of Revolutions in continental Europe started with the French revolution of late 18th century, and ended with the revolutions of 1848–1849. By contrast, Russia, China, Turkey, and Iran went through their revolutions during the early 20th century. England entirely avoided state collapse during the 19th century, but had to let its empire go in the 20th century (Ireland in 1920, India in 1947, Africa in early 1960s). In fact, it appears that the revolutions in the 19th – early 20th centuries are “echos” of the 17th century; oscillations that began to diverge as a result of, perhaps, slightly different periods, and an accumulation of historical accidents peculiar to each specific polity.

Why was the 17th century crisis Eurasia-wide? One possible explanation is again the global climate. The 17th century saw a trend to lower temperatures, which in most Eurasia (apart from the Indian subcontinent) should have resulted in decreased harvests. According to the demographic-structural theory,

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<sup>2</sup> One anonymous reviewer noted that Galloway’s data focuses on long-term fluctuations, of much longer period than city-size or empires. We actually concur with observation. Thus, this type of climate change may **not** be the mechanism for East—West Asia synchrony. Still, it illustrates how other climatic changes, occurring on a shorter scale, might produce such synchrony.

the root cause of crisis is in the imbalance between population numbers and the productive capacity of the land. This imbalance can be achieved either by excessive population growth, or by a rapid decline in the productive capacity of the environment, for example, as a result of a string of colder, wetter years. Note that in this scenario climate change does not directly cause state collapse: its effect is, rather, mediated by social structure (population numbers in relation to the productive capacity of land).

### The Mongol conquest as a “resetting catastrophe”

Another explanation of the 17th century crisis would look back to the events during the previous secular wave. Most world-system theorists agree that the Mongol conquest in the 13th century was a key event in the Afroeurasian history. Not only did the Mongol Empire briefly connect East with the West, it also started a series of remarkably coherent oscillations in Central Asia and adjoining regions.

The huge territory conquered by the Mongols during the first half of the 13th century contained four large “cultural areas” inhabited by settled people: China, Transoxania, Persia (including Mesopotamia), and eastern Europe. From the middle in the 13th century, these four areas were ruled by four separate Chingissid dynasties: (1) Kublai and his successors (the Yuan dynasty) in China; (2) Jagataids in Turkestan (which included Transoxania); (3) Hulagu and his successors (Il-Khans) in Persia; and (4) Juchids (Batu and his successors) in the Kipchak Steppe (the Golden Horde). According to the theory advanced in Turchin (2003: Chapter 7), these four polities should be subject to the Ibn Khaldun cycles of around a century in period.

The Ibn Khaldun cycle, named after the 14th century Arab sociologist who first described it, is a variety of a secular wave that tends to affect societies with elites drawn from adjacent nomadic groups. The dynamics of the Ibn Khaldunian world-system are determined by the interaction between a sedentary, agrarian state and surrounding steppe or desert pastoral “tribes.” The sedentary state region is the site of recurrent state building/collapse episodes. It is inhabited by indigenous commoner population, that provides the productive basis of the society. The steppe or desert is inhabited by stateless tribes that periodically conquer the civilized region and establish a ruling dynasty there. Steppe or desert tribes, thus, supply the elites (nobility) for the sedentary state. Ibn Khaldun cycles tend to operate on a faster time scale, so that their period is about 4 generations, or a century.

The events in Eurasia after the Mongol conquest appear to provide a reasonable fit to this theory:

1. In China, the civil war between the successors of Kublai broke out in 1328. The 1350s saw numerous revolts led by native leaders, and in 1368 one of these leaders expelled the Mongols and established the Ming dynasty.
2. Turkestan was unified until 1333–1334, when a nomad-led insurrection broke out against the Jagataid regime in Eastern Turkestan. By 1350 the power in Transoxania passed into the hands of local Turkic nobles. After a period of turmoil, Timur established a new dynasty. Timur unified Transoxania in 1379, and conquered Iran during the 1390s. The Timurids dynasty also lasted about a century. In 1469 Persia was lost to the White Sheep Horde, while Transoxania splintered between warring branches of Timur's descendants.
3. The Persia of Il-Khans underwent dissolution in 1335. After a period of civil war it was conquered by Timur (see above). When the Timurids lost Persia in 1469, another turbulent period followed, and eventually, by 1500, Persia was unified by a native dynasty (Safavids).
4. A similar course of events occurred in the Kipchak Steppe. The Juchids' rule ended in 1359, when the Kipchak steppe fell into anarchy. After a period of civil war, the Golden Horde underwent a revival under Timur Qutlugh, who re-consolidated his dominion over Russia, although a series of punitive expeditions were required during the early 15th century to keep the tribute flowing. In the middle of the 15th century, however, the revived Golden Horde began disintegrating again. The first part to secede was the Crimean Khanate in 1430. The Khanates of Kazan and Astrakhan followed (in 1445 and 1466, respectively). The Muscovite polity went through its own period of civil war during the second quarter of the 15th century, which, curiously, coincided with the civil war on the steppe that led to the final splintering of the Golden Horde. As soon as the civil war ended, Muscovy became *de facto* an independent state (*de jure* independence had to wait until 1480).

This is an alternative way of viewing the analyses of Barfield (1989) and Chase-Dunn and Hall (1997: Ch. 8). As Barfield notes, however, the Mongol conquest was somewhat exceptional with respect to the usual strategy employed by the central-Asian nomads. First, the Mongols succeeded in capturing much vaster regions, due in the main part to innovations in organization by Chinggis. Second, instead of merely exploiting sedentary states via the outer frontier strategy, the Mongols actually conquered large empires and had to run them. Finally,

the break-up grew out of Mongol rules of dynastic succession that emphasized both lateral and linear descent. These extensive Mongol conquests also disrupted the Ibn Khaldun cycles, in effect resetting them in several different areas simultaneously.

Among nomads this contradiction produced conflicts that both allowed one strong leader to emerge and tended to eliminate rivals. While useful for pastoralists, this multifaceted civil war strategy for succession is disastrous for states. Chase-Dunn and Hall (1997: Ch. 8) argue that the issue was **not** that the Mongols could not change their system of succession—they clearly knew how states worked. Rather, it was that they could not change their system and remain Mongols. To have a more orderly system of succession like those found in states, would have destroyed the very mechanisms that allowed leaders like Chinggis to emerge. The Ottomans, however, seem to have solved this problem. They institutionalized succession so that change happened very quickly—one heir wins, all others are strangled with a silken chord. As a result, the secular cycles of the Ottoman Empire were 200–300 years long.

To summarize, all Chinggisid dynasties went through typical Ibn Khaldun cycles of about a century in period, and all experienced collapse at approximately the same time. In China, a native dynasty expelled the Mongols after one cycle, while in Russia and Iran the steppe dynasties went through two cycles before giving way to native rulers. Incidentally, the central Eurasian steppes continued to undergo Ibn Khaldun cycles, until their conquest and division between the Russian and the Chinese empires (Barfield 1989). What is remarkable is the degree of synchrony in the socio-political dynamics of the settled regions initially conquered by the Mongols in the 13th century. One possible explanation of this pattern is that an initial catastrophic event—the Mongol conquest—reset all regions to approximately the same initial conditions. Thereafter, each region oscillated as a result of its endogenous dynamics, but because oscillations were driven by similar mechanisms, political collapses occurred at about the same time.

### The Black Death as a Resetting Catastrophe

Returning to the fates of Eurasia as a whole, the continent-wide spread of Black Death from its endemic region (Central Asia) may have been another resetting catastrophe. The Black Death pandemic is widely credited to the Mongol conquest, and the resulting density and speed of traffic, trade, raids, and communications across Central Asia—for which the Mongols are widely famous. The increase in traffic made it possible for various vectors to survive to spread various pathogens, notably the plague bacteria, over large distances

(McNeill 1976).<sup>3</sup> The Mongol conquest, however, was largely complete by mid-13th century, while the Black Death struck a hundred years later. Why was there such a delay? We do not know, but one hypothesis may explain it: that disease tends to spread particularly rapidly during the decentralization phase of the secular cycle (this was mentioned above). If this hypothesis is correct, then it was not the fact of Mongol unification *per se*, but that simultaneous disintegration of various Mongol polities that threw the Great Steppe in turmoil, causing large numbers of people to move back and forth, and thus spread the Black Death to both ends of the continent. That is, as suggested earlier, these social processes transformed what might have been an exogenous-global mechanism in to an endogenous-global mechanism.

The Black Death caused Eurasia-wide turmoil simply by its terrifying impact on populations. But it also probably had an additional effect that tended to bring distant polities in phase with each other. Epidemics generally inflict a higher mortality on lower strata of society, while the elites tend to escape relatively lightly. A side effect of an epidemic, therefore, is to increase imbalance between the productive strata and elites. According to demographic-structural theory, excessive elite numbers are a highly destabilizing factor for any society. Thus, polities experiencing a severe epidemic should be more likely to go into a collapse than polities avoiding such a fate. Note that the logic of this argument is similar to the hypothesized connection between climate change and sociopolitical stability made above: both disease and climate are assumed to act indirectly, by affecting social structure.

The 14th century, therefore, was similar to the 17th century in that much of Eurasia was in crisis, and in that it was the century of widespread population decline. (Additionally, it was the time of decreasing temperatures, leading to the Spoerer minimum). This raises the possibility that the crisis in the 17th century was simply an echo of the 14th century. A more wholistic view, however, would be to consider the Black Death and the two minima of solar activity as repeated

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<sup>3</sup> Chase-Dunn and Hall (1997, Chs. 6 and 8) present this argument. They further note (p. 116) contra to Goldstone's claim that there is little or no world-system effect here, that the Black Death spread precisely along the pathways of trade that formed the Afroeurasian-wide world-system. In situations like this where world-systems that were either isolated, or only connected at the two widest levels (information and prestige goods), begin to merge, the endogenous—exogenous distinction becomes particularly muddy. This is where a more quantitative (and dynamical) approach is called for. For example, we need to obtain numerical estimates of how the spatial scale of information and prestige goods exchange fluctuated during this period.

shocks, global in their effect on most of Eurasian polities, that caused secular oscillations across the continent to get in phase. The repeated nature of these shocks, and especially that they happened to be three centuries apart (leading to a potential resonance effect) may go a long way to explaining the remarkable degree of Eurasia-wide synchrony during the last millenium.<sup>4</sup>

### Spread of Pathogens, Ideas, and People

The above discussion has already brought in the disease as one potentially synchronizing factor. The Black Death, however, was a rather unusual episode in the history of epidemics, because of its global (within Eurasia) effect. It was not a unique occurrence (for example, the flu pandemic of 1911 was even more global in its effect), but most diseases tend to spread in a more local fashion. Recent research on measles epidemics during the 20th century (when we have excellent data sets, e.g. for England, see Grenfell et al. 2001) has traced how disease spreads from town to town. In general, we would expect that epidemics would be an important synchronizing factor within world-systems, but except for unusual circumstances they will not spread between world-systems. One such exception, as noted above, would be the rapid spread of the Black Death within Eurasia during the 1330s and 40s (McNeill 1976).

Cultural influences, innovations, and fads could also spread in a manner similar to epidemics. A dramatic example is the wave of revolutions that spread through western and central Europe in 1848–1849. Other potential examples include the spread of agricultural innovations (which elevate the carrying capacity) and birth-control practices (which reduce population growth rate).

Finally, actual population movements between agrarian polities are probably too slow to synchronize them, although within a polity they should play an important role (e.g. migration to urban centers at the end of population increase phase). We can evaluate the rate of migration by considering historical instances of colonization movement, such as the Iberian Reconquista or the colonization of European steppe by the Russians. Incidentally, both of these examples involved interpolity migration. The Reconquista resulted in a major transplantation of Spaniards from the north into the reconquered south, but also in massive movements of the French settlers into the north (Bartlett 1993;

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<sup>4</sup> But we should not overstate the observed degree of synchrony. Secular waves do not have very regular period of oscillations, so we should expect divergence after just one or two cycles after a resetting perturbation. Perhaps that is why the Age of Revolutions occurred in Western Europe earlier than in other parts of Eurasia.

179). Populations moving into the European steppe came from Russia, Poland-Lithuania (Ukrainians and Jews) and even Germany. Both processes were very slow, occurring on the time scale of centuries. Iberian Reconquista occurred in two main pushes, 1080–1150 and 1212–1265 (Bartlett 1993). Russian colonization started with the conquest of Kazan in 1552 and continued after the incorporation of Crimea in 1783.

Nomadic populations, however, may be an altogether different story (see Barfield 1989 and Frank 1992). McNeill (1963, 1987) suggests that differing ecological conditions created a “steppe gradient” that tended to encourage movement of Central Asian Steppe nomads to the west whenever events in the east disrupted their lifeways.<sup>5</sup> Such disruptions could be socio-political, for instance temporary success of Chinese military campaigns against them, or climatic, in quality of grazing, or a sudden growth in population (of animals or people or both) that strained the carrying capacity of the local environment (again, these in turn might have social and/or climatic sources). The net effect is one of many relatively short-distance movements that create a net westward migration across Central Asia toward the west. Because nomads are much more mobile than agriculturalists, disturbances at the east end of the Great Steppe can rapidly propagate to the western end, probably on the time scale of years and decades.

### Asynchronous South Asia

If we consider the Steppe Gradient, along with Jared Diamond’s (1999) observation that absent formidable barriers, east—west movement along similar latitudes (and therefore similar climates) is easier than north—south movement that must traverse significantly different ecological zones, we can construct one explanation for the puzzling findings of Chase-Dunn et al. (2000) that east and west Asia synchronize, but not south Asia. This is all the more so, since the Himalayas are a formidable barrier to contact and exchange. To be sure, there has been extensive traffic across the Himalayas, but it may not have been sufficient to synchronize the various systems. Steppe nomads seldom made incursions into south Asia. Central-Asian influence on India was transmitted indirectly via the Iranian plateau (for example, the Moguls, whose name is a corruption of the “Mongol,” conquered India from Afghanistan).

Two additional factors give tangential support to this supposition. First, while bulk goods, large populations, and armies rarely moved between South

<sup>5</sup> However, in the first millennium BCE the predominant direction of movement was to the east, leading to the spread of Indo-European nomads (see McNeill 1987, pp. 265–67, especially the map on p. 266).

and Central Asia, travelers and ideas did so extensively. The spread of Buddhism and of silk and other luxury goods are familiar examples. Both illustrate the critical difference between the various boundaries of world-system, bulk goods and the military-political exchanges on the one hand versus information and luxury goods on the other. Second, south Asia had tremendous effects on southeast Asia. Again there is the spread of Buddhism, but also other cultural features, and trade in luxury goods. Yet, if the east—west vs. north—south differential is at work, there should be some synchrony between south Asia and Southeast Asia, and less synchrony between Southeast Asia and east Asia. Unless, of course, the somewhat lower barriers between east and southeast Asia did allow sufficient contact and exchange to promote synchrony.

The second explanation for asynchronous dynamics in South Asia is the effect of climate. Cold, wet, climate leading to problems in most of Eurasia might have been a boon for South Asian agriculturalists. The two hypotheses, movement (of people, goods, and ideas) and global climate are not mutually exclusive.

A possible third explanation for asynchronous dynamics in South Asia is that local, i.e., endogenous, processes may have differed significantly between south Asia and the rest of Asia. This would seem less likely, but it is a possibility that warrants consideration.

Currently we do not have sufficient data to discriminate among these explanations. Still, the arguments and analyses presented here suggest ways these issues might be addressed empirically.

### CONCLUSIONS AND DIRECTIONS FOR FUTURE RESEARCH

Much (if not all) of our discussion of potentially synchronizing factors and their interplay with sociopolitical cycles in Eurasia is highly speculative. However, these speculations constitute a powerful argument for the relevance and utility of further systematic, theoretical and empirical extensions of ecological theories to world-systems analysis. Our key conclusion is that this synthesis of these two widely separated theoretical traditions can lead to much more rigorous exploration and testing of theories of the processes of world-systemic change.

Our goal in this paper was not to provide answers, but to generate hypotheses that can be subsequently tested with data. Thus, the last topic that we need to discuss here is how such empirical testing might be accomplished.

We argue that explicit mathematical models are necessary ingredients in this empirical program. The reason is that nonlinear dynamics such as cycles are sufficiently complex in themselves, but when we add a spatial component, the resulting problems become much too difficult to be grasped by the “naked”

human mind. What is needed is mathematical formalism to be able to state the problem precisely—as models—and computers to solve the models. As we mentioned in the Introduction, some social scientists might object to mathematical models on the grounds that they oversimplify the reality. We seek to understand such complex systems by building models systematically, starting with simple assumptions and then adding more complex processes, as they are warranted by data.

The power of mathematical models is that they make quantitative predictions that can be compared to data using standard statistical methods. One statistical methodology for investigating spatial synchrony is the autocorrelation analysis. The correlation coefficients calculated by Chase-Dunn et al (2000) between empire sizes in the Central, East Asian, and Indic PMNs was a very useful step that has already yielded highly suggestive results, but it can be improved upon. First, we can estimate spatial autocorrelation functions (ACF), that is, how the correlation coefficient changes with distance between the polities. Different synchronizing mechanisms leave different “signatures” in the ACF. Thus, a local process should result in an ACF that declines with distance: high correlation between territorial dynamics if polities are located near each other, and low or no correlation for polities separated by great distances. In other words, the scale at which ACF becomes indistinguishable from 0 is related to the spatial scale at which a process operates. By contrast, a global mechanism should result in no relationship between the correlation coefficient and distance.

The approach sketched above tests a *qualitative* prediction—the question of whether the ACF declines with distance has a binary answer (yes or no). A more informative approach would address the quantitative aspects of ACF, such as the spatial scale at which it becomes indistinguishable from zero. Thus, an even stronger test would be to construct a mathematical model of synchronous oscillations, estimate the spatial scale at which the postulated factor operates (for example, how fast and how far epidemics spread), and then make quantitative predictions about the shape of the ACF.

Furthermore, spatial autocorrelation analysis is not the only statistical approach that could be used. Very useful insights can be obtained by examining cross-correlations between two or more factors. For example, we can investigate how political dynamics are correlated (in space and time) with disease dynamics. Again, qualitative predictions can be made readily (for example, no crosscorrelations between polity size dynamics and disease probably means that these two factors are unrelated to each other). However, more progress will be made if we can make quantitative predictions using explicit models.

The approach that we are advocating needs several ingredients for success. On the empirical side we need a more detailed database of territorial dynamics of

all polities within the Afroeurasia (omitting, perhaps, ones that are smaller than a certain threshold).<sup>6</sup> We also need data on spatio-temporal dynamics of any other variables that may affect synchrony, such as epidemics and climate. Some databases already exist, e.g. Biraben’s (1975) compilation of places affected by the Black Death in Europe and the Mediterranean. Certain kinds of data, such as climate change, are in the process of being developed in other disciplines and all we need to do is wait (e.g., see Mann 2000). Other data will probably need to be developed from scratch (here recent developments in historical GIS may be of great help).

On the modeling side we need a better understanding of processes that may cause oscillations and synchrony. What would be particularly useful in the study of synchrony is estimates of the rates of movement for different “things”—goods, pathogens, ideas, and people.

The research program combining mathematical theory with sophisticated statistical approaches is costly—it requires a large quantity of data and some changes in research practice. However, we think that such an investment is warranted. Recent results that suggest sociopolitical cycles and wide-scale synchronicity within the Afroeurasia are “intoxicating,” to use the word of Robert Denemark (2000). If there are regular empirical patterns, then history is not just a collection of accidents. But unraveling the complex interactions causing the empirical regularities will require sophisticated quantitative tools.

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<sup>6</sup> Peter Turchin is in the process of developing such a database for Europe 1000–2000 CE, using the historical computer atlas CENTENNIA.

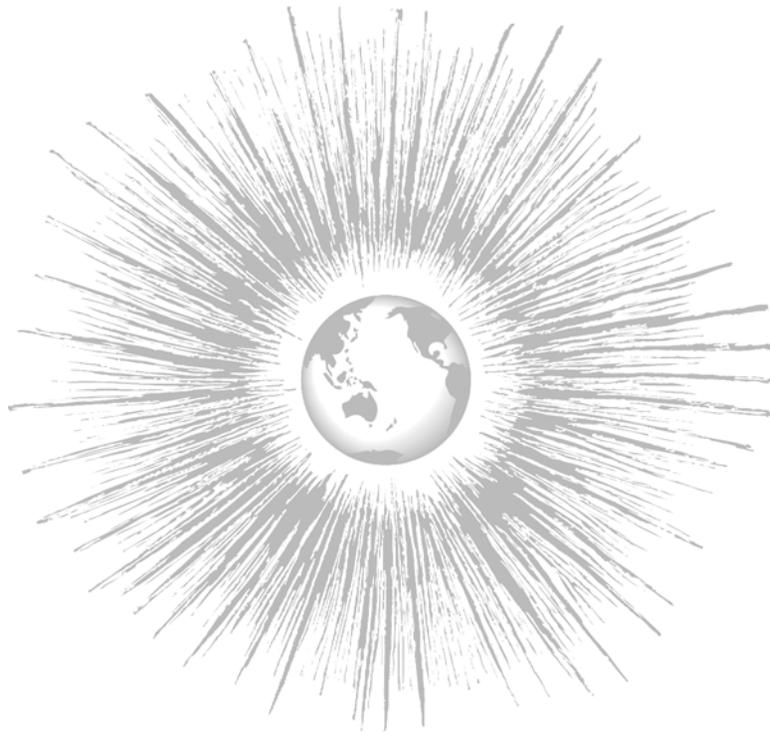
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# FORGING A NEW HEGEMONY? THE ROLE OF TRANSNATIONAL POLICY GROUPS IN THE NETWORK AND DISCOURSES OF GLOBAL CORPORATE GOVERNANCE\*

William K. Carroll  
Colin Carson



## ABSTRACT

This study situates five top transnational policy-planning groups within the larger structure of corporate power that is constituted through interlocking directorates among the world's largest companies. Each group makes a distinct contribution toward transnational capitalist hegemony both by building consensus within the global corporate elite and by educating publics and states on the virtues of one or another variant of the neoliberal paradigm. Analysis of corporate-policy interlocks reveals that a few dozen cosmopolitans—primarily men based in Europe and North America and actively engaged in corporate management—knot the network together via participation in transnational interlocking and/or multiple

policy groups. As a structure underwriting transnational business activism, the network is highly centralized, yet from its core it extends unevenly to corporations and individuals positioned on its fringes. The policy groups pull the directorates of the world's major corporations together, and collaterally integrate the lifeworld of the global corporate elite, but they do so selectively, reproducing regional differences in participation. These findings support the claim that a well-integrated global corporate elite has formed, and that global policy groups have contributed to its formation. Whether this elite confirms the arrival of a transnational capitalist class is a matter partly of semantics and partly of substance.

## INTRODUCTION

In recent decades the development of a transnational phase of capitalism, said to include the global integration of national economies, the mobility of capital and global reach of accumulation circuits, and the growing role of organizations like the World Economic Forum (WEF) and the World Trade Organization (WTO), has claimed the attention of legions of social scientists. With this interest has come a concern to theorize the segment of the world bourgeoisie purported to represent transnational capital and the ideology, neoliberalism, which seems to underwrite its expansion. These issues have gained additional salience as scholars such as Robinson and Harris (2000) and Sklair (2001) have discerned the formation of a fully transnational capitalist class (TCC).

A range of theoretical perspectives on transnational capitalist class formation now exists. In the early 1970s, dramatic increases in direct foreign investment through multinational corporations led Hymer (1979) to observe that “an international capitalist class is emerging whose interests lie in the world economy as a whole system of international private property which allows free movement of capital between countries” (262). In the 1980s, the Gramscian turn in IPE, advocating a “historically grounded conception of the dialectic totality of structure and agency” in processes of class formation and world order (Overbeek

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William K. Carroll  
Colin Carson  
Department of Sociology  
University of Victoria  
Box 3050  
Victoria, BC V8W 3P5  
CANADA

[wcarroll@uvic.ca](mailto:wcarroll@uvic.ca)  
[ccarson@uvic.ca](mailto:ccarson@uvic.ca)  
<http://web.uvic.ca/soci/>

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2000), demonstrated that while the mechanisms of international trade and investment furnished structural conditions for global capitalist expansion, they could not provide the long-term vision needed for capitalist class formation. Van der Pijl (1998) and Overbeek and van der Pijl (1993) situate transnational class formation in the context of restructuring and stabilizing capitalist fractions (bank, commercial, industrial capital) under the global economic hegemony of neoliberalism. Of specific interest is the development of strategic vision in the social networks of the directors of corporations, banks, and planning groups of various sorts (van der Pijl 1998, 5). Cox (1987), Gill (1990, 1992), and Robinson and Harris (2000), describing similar practices in relation to transnational state apparatuses, view the TCC as both an embodiment of transnational capital and an expression of political power manifest by transnational (or interstate) institutions such as the International Monetary Fund (IMF), and the WTO. "World hegemony," as such, "is describable as a social structure, an economic structure, and a political structure; and it cannot be simply one of these things but must be all three" (Cox 1983, in Overbeek 2000, 176). In a somewhat separate vein, Sklair (2001) places significant emphasis on the ideological awareness of transnational executives and views the dissemination of a culture-ideology of consumerism as integral to transnational capitalist class formation.

Robinson and Harris (2000) draw on many of these perspectives to announce the emergence of a fully transnational capitalist class whose "organic composition, objective position and subjective constitution...[is] no longer tied to the nation state" (14). As might be expected, the claim of such an epochal shift has forced a closer assessment of how the TCC is identified. Indeed, the collection of critiques that followed the article's publication brings to light several unresolved issues and questions, including the extent of the TCC's geopolitical scale—particular emphasis is placed on the recalcitrance of a North/South divide—and its alleged autonomy from national contexts.<sup>1</sup> From all sides of the current debate it is agreed that more direct evidence is needed.

In fact, precious little systematic empirical data have been marshalled to date. However, a recent longitudinal study of the social structure of the international business community by Carroll and Fennema (2002) does speak to several of the key issues raised in the aftermath of Robinson and Harris's (2000) intervention. While network analysis has long contributed to an empirical understanding of elite integration (and, by extension, class formation) at the national level (Useem 1984; Domhoff 1998), it was only with Fennema's (1982) study of international

<sup>1</sup> The Transnational Ruling Class Formation Thesis: A Symposium. *Science & Society*, 65, 4, Winter 2001-2002, 464-469.

networks of banks and industry that this analysis took transnational scale. Carroll and Fennema's research builds from Fennema's earlier work to examine changes in the network of interlocking directorates between 1976 and 1996, a period associated with the most recent surge in economic globalization. Among their key findings were, on the one hand, moderate increases in transnational integration via weak ties that transect national borders, but on the other, recalcitrant national patterns of organization—thus their characterization of the transnational network as "a kind of superstructure that rests on rather resilient national bases" (2002:414). Carroll and Fennema conclude that while corporate interlocks within countries are often associated with the strategic control of capital, "transnational corporate interlocking is less about intercorporate control than it is about the construction of an international business community" (2002: 415).

Such a community would be a rather pallid affair if it were confined to the corporate boardrooms. In fact, given the persistence of national corporate networks, we might say that *the articulation of a transnational capitalist interest requires sites beyond the boardrooms*—places where business leaders can come together to discuss issues of shared concern, to find common ground and to devise strategies for action. Business activism of this sort would seem an integral aspect of community development at the higher reaches of corporate power. The significance of such arrangements is only enhanced by processes of globalization and the search for new forms of governance. In recent years these conditions have indeed prompted a range of scholarly attention on institutions of private authority and their self-regulatory potential (Ronit 2001:562; Keck and Sikkink 1998).

Building on the concept of an international business community, and asserting the basic premise that those who direct the largest corporations are the leading edge of a capitalist class, this article situates five global organizations of elite consensus-building within a larger structure of corporate power that is constituted through interlocking directorates. The elite policy-planning groups operate within an incipient "global civil society" (Shaw 2000) that is distinct from both state power and economic power yet intimately linked to both. It is from these sites that the strategic and moral visions and policy frameworks informing a transnational capitalist interest have been forged. By mapping the corporate-policy network we hope to shed light on the role that global policy groups are playing in the formation of a transnational capitalist class.

#### POLICY GROUPS AS SITES FOR CONSTRUCTING TRANSNATIONAL NEOLIBERAL HEGEMONY

In the years since World War Two we can trace the development of a neo-liberal tendency within a differentiating global field of elite consensus formation.

Set in motion with Friedrich Hayek's convening of the Mont Pelerin Society in 1947, its austere market-monetarist orientation gained a distinct, yet still marginal, voice in an organizational ecology dominated by corporate liberal tendencies—a regulatory strategy upheld at the time by the first truly North Atlantic planning body, the Bilderberg Conferences (1952). Rising to dominance decades later under the regimes of Reagan and Thatcher, undiluted neoliberal doctrine responded to structural shifts that beleaguered the post-war Keynesian-Fordist state and accelerated the spread of transnational corporations, the expansion of foreign direct investment and the interpenetration of capital. Lending sanction to the distinctly global regime of accumulation that was taking shape were the policy imperatives of privatization, trade liberalization, deregulation, tax reform, and the introduction of market proxies and benchmarking into the public sector—a grouping of corrosive neoliberal initiatives that John Williamson (1990), World Bank Chief Economist for South Asia (1996–1999), termed the “Washington consensus.”

Integral to the political and cultural reproduction of this new order has been a synthesis of public and private elements from the states and civil societies of the capitalist world in several new private international policy groups, most notably the World Economic Forum (1971), the Trilateral Commission (1973), and the World Business Council for Sustainable Development (1995). While such groups make distinct strategic contributions to the field of transnational neoliberal policy, they share three critical attributes. Each inhabits a space within civil society as “embedded elements of a social network, within which neoliberal business activism [takes] shape and form” (Carroll and Shaw 2001, 196). They also act as vehicles of international elite integration, linking capitalists to a political-cultural community where class extremes are mediated and a “collective will” thrashed out (van der Pijl 1998). Finally, all, to varying degrees, endeavor to “translate class interests into state action by defining and promoting lines of policy that ensure the stability and reproduction of a system shaped by capitalist social relations” (Peschek 1987:216). In these ways, neoliberal policy groups can be said to function as “collective intellectuals”—‘deputies’ or agents of the capitalist class “entrusted with the activity of organizing the general system of relationships external to...business itself,” as Gramsci described (1971:6).

Still, the struggle to spread the neoliberal economic project on a global scale has been far from straightforward, and has experienced several major setbacks over the course of the last decade, including global recession and crises,<sup>2</sup> and the

<sup>2</sup> These include Mexico in 1995, Asia in 1997, and Russia and Brazil in 1998.

emergence of new forms of civil resistance crystallized around opposition to the legal incursions of capitalist globalization, including the MAI, the WTO, and World Bank and IMF initiatives. In turn has come “increasing concern with how best to co-ordinate actions to promote and consolidate it on different scales, with its social and environmental costs and their adverse political repercussions, and with identifying and pursuing flanking measures that would help to re-embed the recently liberated market forces into a well-functioning market society” (Jessop 2000). Indeed, by the mid-1990s neoliberal order was increasingly fragmented around the question of how best to assure long-term stability and reproduction of transnational capital.

For Robinson and Harris it is precisely this new regulatory positioning within the neoliberal paradigm, and the tensions this creates among globalizing elite, that have given rise to a transnational capitalist class defined both by economic structure and strategic-political rule—a class both in-itself, and for-itself (21).<sup>3</sup> Their analysis very usefully divides the globalist policy field into three neoliberal fractions, which we will employ to help frame our discussion of the projects of transnational policy groups. The first fraction is *free-market conservative*. Influenced by economist Milton Friedman, this fraction calls for a complete global *laissez-faire*, drawing on fundamental neoliberal tenets of monetarism, state deregulation, “spontaneous order” of market relations, and possessive individualism. Reigning as neoliberalism’s singular voice under the so-called Washington consensus, the project would be splintered and somewhat marginalized amidst the global economic crises of the 1990s. Stemming from these actualities, the fraction that according to Robinson and Harris (2000) is now dominant, *neoliberal structuralism*, advocates a “global superstructure that could provide a modicum of stability to the volatile world financial system...without interfering with the global economy” (43). Following progenitors Bill Clinton and Tony Blair, its politics are distinctly “Third Way”—“finding a synergy between private and public sectors” as Giddens put it (1998:99–100). Gill (1995), notably, has discerned a very similar policy shift in the ‘new constitutionalist’ discourse, launched during the G7 Summit in Halifax, Nova Scotia, in June 1995 (413). Responding to the Mexican crisis of 1994–95, G7 members opted to “strengthen [economic] surveillance mechanisms under the aegis of the IMF, World Bank, and the BIS” (413). Contrasting with the position of free-market conservatives the new perspective held that “ideology and market power are not enough to

<sup>3</sup> Sklair (2001), quite similarly, sees ‘proactive global corporate citizenship’ as a cornerstone of contemporary processes of transnational capitalist class formation.

ensure the adequacy of neoliberal restructuring...[and must be] institutionalized at the macro-level of power in the quasi-legal restructuring of the state and international political forms" (Gill 421). The third fraction is *neoliberal regulationist*. This current, exemplified by Joseph Stiglitz (1998), calls for a "broader global regulatory apparatus that could stabilize the financial system as well as attenuate some of the sharpest social contradictions of global capitalism" (Robinson and Harris 2000: 43). Although each globalist fraction is divided on the amount of structural interference that should occur in the new 'global economy', all three are neoliberal in that "none question the essential premises of world market liberalization and the freedom of transnational capital" (ibid).

### THE FIVE INTERNATIONAL POLICY GROUPS

In this article we focus on five organizations that have come to comprise a field of transnational policy formation, two with longstanding histories, and three whose origins lie within the contemporary wave of economic globalization. That field has taken an historically stratified and pluralistic shape as the groups have developed around specific visions, issues and networks.

The Paris-based *International Chamber of Commerce* (ICC), founded in 1919, is the oldest of the business policy groups discussed here and the only one to maintain a primarily free-market conservative strategic vision. It is also the largest, grouping some 7,000 member companies and associations from over 130 countries. As a forum for transnational capitalist consultation launched by investment bankers in the shadow of World War I, the ICC has historically functioned as the most comprehensive business forum committed to liberalization, and now even refers to itself as the 'World Business Association'. Although it has made forays into humanitarian and environmental policy issues,<sup>4</sup> the ICC remains a bastion of global neoliberal doctrine, and has "long been a triumphant lobbyist for global economic deregulation in fora such as the WTO, the G8 and the OECD" (Balanyá *et al.* 2000:166).

The ICC's primary function is to institutionalize an international business perspective by providing a forum where capitalists and related professionals (*e.g.*, law firms and consultancies, national professional and sectoral associations) can assemble to forge a common international policy framework in arenas ranging from investment to specific technical and sectoral subjects. Since the mid-1990s its efforts to institutionalize an agenda of corporate self-regulation have fostered close working relationships with international institutions such as the WTO,

<sup>4</sup> For instance, see the *Building Cooperation in Africa Report* (December 2001) and the *ICC Business Charter for Sustainable Development* (April 1991).

UN Conference on Trade and Development (UNCTD), and the UN General Secretariat (ibid, 166–174). The ICC's secondary function is to knit national chambers throughout the world into a single global network through its World Chambers Federation (WCF). The WCF also provides a vertical organizational link between the network of transnational capitalist interests carried by the ICC membership and the untold numbers of small- and medium-sized businesses which comprise the ranks of local national chambers of commerce. It is, however, a combination of the group's free-market conservative vision, its institutionalization of transnational business practices, and its incorporation of local-level business into a global capitalist perspective, that gives the ICC a unique niche within the organizational ecology of global policy groups.

Offering a counterpoint to the austere, free-market conservative vision of the ICC, the Bilderberg Conferences have provided a context for more comprehensive international capitalist coordination and planning. Founded in 1952, the Bilderberg, named for the Hotel de Bilderberg of Oosterbeek, Holland, "assembled, in the spirit of corporate liberalism, representatives of Right and Left, capital and organized labor" (van der Pijl 1998:121). Activities have typically revolved around issues of long-term planning and international order, and to this end Bilderberg Conferences have furnished a confidential platform for corporate, political, intellectual, military, and even trade union elites from the North-Atlantic heartland to reach mutual understanding. With its unique capacity to draw on these elite interests, the Bilderberg has helped to ensure that consensual policies were adopted by the transnational system of the West in general, and signatories to the NATO Alliance in particular (Mendes 1994). The group is run by a chairman, and a small, permanent steering committee, which invites approximately 115 participants to the yearly Conference.

Compared to the ICC, Bilderberg's lack of guaranteed membership, the breadth of its elite constituency, and its historically less doctrinaire political agenda have made it a more flexible vehicle for transnational class formation. A good indication of this is the group's migration from a predominantly corporate-liberal strategy, to one that in recent years appears more aligned with neoliberal structuralism. Indeed, by the mid-1990s organized labor was all but excluded—the single invited delegate being John Monks, General Secretary of the British-based Trades Union Congress. While labour was effectively shut out, neoliberal intellectuals—including Timothy Garton Ash of the Hoover Institute, Michael H. Armacost of the Brookings Institution, and William W. Lewis of the McKinsey Global Institute—have attended in numbers.<sup>5</sup>

<sup>5</sup> *The Spotlight Special Bilderberg Issue 1995–1996.*

Emerging at the watershed of recent economic globalization in 1973, *The Trilateral Commission* (TC) was launched from within the Bilderberg meetings by David Rockefeller as a forum to foster effective collaborative leadership in the international system and closer cooperation among the core capitalist regions of northern Europe, North America and Japan—the “triad.” It maintains a consultative ruling class tradition, bringing together transnationalized fractions of the business, political, and intellectual elite during several yearly meetings, which it convenes at the national, regional, and plenary levels. Unlike the secretive Bilderberg, however, the TC “sought to develop a profile with greater transparency, public activities and sophisticated publications, responding to the greater sensitivity towards public relations” (van der Pijl 1998:124). Consistent with this strategy, its magazine, *Dialogue* (first published in October 1973), pioneered what has become a mainstay in the cultural arsenals of transnational business policy groups: the widespread dissemination of neoliberal opinion and analysis, as in the World Economic Forum’s *World Link* magazine. A director, three regional chairmen, and three regional executive committees guide the TC; its 350 members are chosen on a national basis.

In marked contrast to the ICC, the TC’s attempts to enshrine the discipline of capital have generally favored elements of regulation. In this regard, its influential 1975 report, *The Crisis of Democracy*, called for stronger economic planning measures, including job training and active intervention in the area of work, all in the service of “sustained expansion of the economy” (quoted in Wolfe 1980, 298). Deeply motivated by the 1970s energy crisis, the TC has also lobbied for integrating capitalism’s (semi-)periphery into contexts of international regulation, including “allowing the neocolonies a symbolically greater voice in organizations like the IMF, [and] tying neocolonial economies even closer to Western finance” (see Frieden 1980:72). An influential series of “Task Force Reports” (or *Triangle Papers*) on this issue have been delivered over its three-decade history (e.g. Watanabe *et al.* 1983). Overall, the TC’s project is to institutionalize elite economic, political, and intellectual/cultural bonds between the North-Atlantic heartland and the Asia-Pacific and to expand the regulatory sphere of capitalist discipline to incorporate metropolitan labour and (more recently) peripheral states. These aims draw it in line with Robinson and Harris’ (2000) neoliberal structuralist formulation.

Founded two years earlier, *The World Economic Forum* (WEF) convened Europe’s CEOs to an informal gathering in Davos, Switzerland to discuss European strategy in an international marketplace. Organized by renowned business policy expert, Klaus Schwab, the meetings were intended to secure the patronage of the Commission of the European Communities, as well as the encouragement of Europe’s industry associations. By 1982 the first informal

gathering of ‘World Economic Leaders’ took place on the occasion of the Annual Meeting in Davos, bringing cabinet members of major countries and heads of international organizations (including The World Bank, IMF, GATT) together with a burgeoning core membership of top international capitalists.

The WEF moved beyond the TC to establish “global initiatives” that distinguish it as the most paradigmatic example of neoliberal structuralism. Initially, the Forum promoted a free-market conservative agenda, but by the mid-1990s persistent capitalist crisis forced it to adopt a more regulatory tack, a shift signaled when, “on the eve of the 1997 meeting, financier George Soros unexpectedly denounced ‘the destruction of those values which do not produce commercial return’ and ‘the totalitarian tendency of unregulated market capitalism’” (quoted in van der Pijl 1998, 134). By early 1997 the new mood was expressed in a project on ‘human social responsibility’, followed by a litany of ‘social issue’ task forces culminating with the *Global Health Initiative* (2001) and the *Global Governance Initiative* (2001). These initiatives crosscut with the widespread practices of Corporate Social Responsibility (CSR) among TNCs and the rise of a culture of ‘global corporate citizenship’ Sklair (2001) considers integral to transnational capitalist class formation.

Unlike the ICC, Bilderberg, and TC, the WEF is organized around a highly elite core of transnational capitalists (the ‘Foundation Membership’)—which it currently limits to ‘1,000 of the foremost global enterprises.’ Invited ‘constituents,’ however, represent a variegated range of globalist elites, including members of the scientific community, academics, media leaders, public figures, and various NGOs. Constituents populate a hodgepodge of policy work groups and forums, including the InterAcademy Council, the Business Consultative Group and the Global Leaders of Tomorrow. Like the ICC, however, the WEF actively extends its geopolitical reach and influence. It has done so primarily through yearly meetings apart from Davos and beyond the triad, as in the 1996 meetings in Turkey, China, and India (*Annual Report* 1995 6:6). To formalize this expansionist agenda—or to, in its own words, “advance regional development and cooperation in the global economy”<sup>6</sup>—the WEF recently established a distinct operating body called the Centre for Regional Strategies (CRS). Accordingly, Robinson and Harris (2000) have described the WEF as the “most comprehensive transnational planning body...and a quintessential example of a truly global network binding together the [TCC] in a transnational civil society” (30).

<sup>6</sup>. <https://members.weforum.org/site/homepublic.nsf/Content/Our+Organization%5CForum+Centres> (site unavailable 4/1/03).

The last group to have taken up a niche within the field of global elite policy-planning is the *World Business Council on for Sustainable Development* (WBCSD), founded in 1995. It is also the only group that can be characterized within Robinson and Harris' (2000) typology as neoliberal regulationist. Formed in a merger of the Geneva-based Business Council for Sustainable Development and the Paris-based World Industry Council for the Environment (a branch of the ICC), it instantly became the preeminent business voice on the environment. By 1997, WBCSD membership comprised 123 top-TNC chief executives.

A child of the UN's Conference on Environment and Development (UNCED) 1992 Rio Earth Summit, the WBCSD reflects a maturing elite awareness that entrenchment and expansion of transnational enterprise must be coupled with consensus over environmental regulation. Drawing primarily on the expertise and prestige of senior transnational executives, it articulated a critical connection between neoliberalism and regulatory struggles over the environment, especially those associated with the UN Environmental Programme (UNEP) and the UN Conference on Trade and Development (UNCTAD). What makes the WBCSD unique in the global policy field are its efforts to surpass the prevailing dualism of "business versus the environment" by forwarding a more comprehensive vision of capitalist social and moral progress—anchored by its central axiom of 'eco-efficiency.'<sup>7</sup> Within this retooled version of sustainable development business, governments and environmental activists make concessions around a general interest in sustaining both the health of the natural world and the "health" of the global economy.

The discourses and strategies of the WBCSD work to advance a global regulatory perspective (Robinson and Harris 2000) which moves beyond neoliberal structuralism. The WBCSD's reflexive discursive and organizational frameworks endeavor to draw realms free-market conservatives call 'externalities'—from employee relations to the health and safety of consumers—into an inclusive regulatory regime. The practices and discourses of corporate environmentalism—now employed by TNCs from Procter & Gamble and Mitsubishi to Monsanto and Broken Hill Proprietary—are vital in this regard, and have in their own right contributed to a persuasive globalizing capitalist ideology (Sklair 2001). What the WBCSD furnishes is a reflexive orchestration of these corporate initiatives into a class-wide hegemonic project.

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<sup>7</sup> "Eco-efficiency" was first coined by the BCSO in 1992. In its 1997 *Annual Review*, the WBCSD defined eco-efficiency as "a management approach ... that allows companies to improve their environmental performance while meeting the demands of the market...[by increasing] economic and ecological efficiency" (8).

With these five policy groups we can see how variants of transnational neoliberalism have found organizational bases in the policy-formation field. Only the International Chamber of Commerce functions from the perspective of free-market conservatism and speaks for and to a strictly business-centered constituency. The Bilderberg group, Trilateral Commission, and World Economic Forum in their own ways incorporate broadly neoliberal structuralist perspectives. The most recent addition to the field, the World Business Council for Sustainable Development, orients itself primarily in terms of neoliberal regulationism. Taken as a whole, these global policy groups can be regarded as agencies of transnational capitalist class formation. They provide intellectual leadership that is indispensable in the ongoing effort to transform transnational capital from an economically dominant class to a class whose interests take on a sense of universalism. The empirical questions to which we turn now concern the social relations that embed these groups within a structure of global corporate power.

#### THE GLOBAL CORPORATE-POLICY NETWORK

Our empirical analysis maps the social structure of the global corporate elite, the collection of leading corporate directors who participate in the network of major corporations and transnational policy groups. This elite is not coextensive with Sklair's "transnational capitalist class." His conception of the TCC goes further and includes transnational executives, a globalizing state fraction, a globalizing technical fraction, and a globalizing consumerist fraction (2000: 17). Yet our global corporate elite does include the major capitalists who exercise the investment and top-level management functions within the world's largest corporations, as well as the organic intellectuals whose advice, as outside directors, is sought by the same companies. We are interested in this corporate elite's participation on the directorates of global policy groups, and in the contribution that such participation makes to overall elite integration. To date there has been no systematic study of the network of leading corporations and policy groups at the global level. Research carried out in national contexts suggests that corporate-policy interlocks contribute substantially to elite integration and to the hegemony of corporate capital (Useem 1984; Domhoff, 1998; Carroll and Shaw, 2001). Case studies such as Gill's (1990) and anecdotal analyses such as van der Pijl's (1998) suggest that much the same applies in the global field. To explore this issue, our analysis poses three research questions:

1. *At the level of individuals*, who are the corporate directors at the centre of the corporate-policy network and how do their group affiliations create an inner circle of corporate governance and policy planning?
2. *At the level of organizations*, what is the basic shape and form of the

interlocking directorates among the policy groups and between them and the world's largest corporations?

3. What contribution do the global policy groups make to transnational corporate-elite integration?

The point of the analysis is to investigate one dimension of transnational capitalist class formation—the corporate-policy network—with an eye toward what it tells us about the structural sources of elite integration as well as tension and possible fissure.

#### SAMPLE AND DATA

Our research design obliged us to achieve a substantively representative sample of the leading corporations and global policy groups in the world capitalist system, and to depict the interlocks between these organizations at a single moment (circa year end 1996). The five organizations discussed above provide a reasonable instantiation of the leading policy groups.

In selecting corporations, we needed to achieve an adequate representation of the various sites in the world economy where corporate head offices are domiciled. This meant combining quantitative selection criteria with qualitative considerations around regional and sectoral representation. As Fennema (1982) found when he carried out the first study of the transnational corporate network, selecting firms purely according to size can yield a sample that is entirely skewed toward the dominant economies in the world system. In our research, a strict size criterion would have selected into our sample a fairly balanced range of corporations based in the triad—Europe, North America, and Japan—but a paucity of corporations from the rest of the world. Since we wanted to explore the network positioning of leading companies based in different national domiciles, it was important that the sample include sufficient numbers from countries beyond the triad.

The sample of corporations was constructed on the basis of a number of sources, beginning with the Global 500 published in the June 1997 issue of *Fortune*, which ranks firms by sales or revenue.<sup>8</sup>

A drawback in the *Fortune* listing is that revenue is not a particularly good measure of the size of financial institutions, some of which have relatively small

<sup>8</sup> Other sources consulted were Standard & Poor's *Register of Corporations, Directors and Executives* (1997), the top 1000 banks listed in *The Banker* (July, 1997), the Global 1000 listed in *Business Week*, the *Times 1000*, and individual corporate listings in *Moody's International Manual*.

Table 1 – Composition of the Global Top 350 Sample

	INITIAL SAMPLE		ADDED TO INITIAL SAMPLE		TOTAL
	Biggest Non-Financials	Biggest Financials	Smaller Non-Financials	Smaller Financials	
European Non-Financials	71	0	17	0	88
North American Non-Financials	71	0	7	0	78
Asia-Pacific Non-Financials	51	0	2	0	53
Semiperipheral Non-Financials	17	0	14	0	31
European Financial	0	44	0	0	44
North American Financial	0	24	0	0	24
Asia-Pacific Financial	0	22	0	1	23
Semiperipheral Financial	0	0	0	9	9
<b>TOTAL</b>	210	90	40	10	350

revenue streams (often equivalent to net income) compared to their asset size. The latter is a far more appropriate measure of the concentration of capital within financial institutions; thus we divided the sample into two strata and selected from the sources at our disposal all financial institutions with assets of \$100 billion or higher and all non-financial corporations with revenues of \$14 billion or higher. All values were taken for the time closest to year end 1996 and denominated in US dollars. This yielded a sample of 300 corporations, summarized in the first two columns of Table 1.

To this initial sample we added 50 companies, in an attempt to represent domiciles and sectors that by the size criterion alone were thinly represented:

1. The most serious deficiency had to do with the semi-periphery. Only 17 companies were selected into the sample according to size, and 10 of these were industrial companies based in South Korea. To achieve a broader representation, we relaxed the quantitative criteria and selected the next-biggest 14 non-financials (the smallest of which had 1996 revenues of \$5.7 billion) and the nine biggest financials based in the semi-periphery (whose assets ranged from \$80 billion down to \$30 billion), for a total of 40 firms based outside the centre.

2. The low value of the Canadian dollar at the time of the study meant that only one non-financial company based in Canada qualified for the sample in terms of its size. To enable a global network analysis that would include the largest Canadian non-financials, we selected seven additional such companies, bringing the Canadian total to eight non-financials and four financials.
3. To achieve the same number of British-based companies as in Fennema's (1982) study,<sup>9</sup> we selected an additional 17 non-financials, bringing the British total to 26 non-financials and eight financials.
4. To round out the portion of the sample domiciled in Japan we added two non-financials and one financial institution, whose sizes very nearly met our initial criteria, bringing the Japanese total to 51 non-financials and 22 financials.

Our sample, then, combines quantitative and qualitative considerations in representing the leading corporations worldwide. According to a strict quantitative criterion one could say we have over-represented non-financial corporations based in the UK, Canada and the semi-periphery, as well as financial institutions based in the semi-periphery. However, given our primary concern with the social structure of the corporate elite, including the patterning of interlocking across regions, this over-representation is a methodological necessity.

We next identified the corporate directors who as of year end 1996 held positions in two or more organizations (whether corporations or policy groups), thus *carrying* interlocks between the organizations. This meant first recording the full names of all directors of our 350 corporations, including, in the case of two-board systems such as Germany's, both the supervisory and the management board.<sup>10</sup> The directors of the five policy groups<sup>11</sup> were recorded into the same file, and the names were then alphabetically sorted, with apparent or suspected

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<sup>9</sup> Since research related to this one (Carroll and Fennema, 2002) endeavored to replicate Fennema's study of the global corporate network, it was also important to include sufficient numbers of firms from the countries featured in Fennema's sample, which purposively over-represented certain domiciles, in particular Britain.

<sup>10</sup> Sources included Standard & Poor's *Register of Corporations, Directors and Executives* (CD-rom version, 1997), *Moody's International Manual* (1997) and corporate annual reports, whether hard copy or downloaded from websites.

<sup>11</sup> In the case of the Trilateral Commission, which functions as a large board, we included all members as of October, 1996. For the ICC we included the Executive Board. For the WEF we included both the Foundation Board and the Members' Council. For the WBCSD we included the Executive Committee as well as the individuals designated

multiple directorships later verified by cross-checking sources.<sup>12</sup>

Our analysis is restricted to what we consider **the global corporate elite**—those directing at least one corporation and one other organization in our sample (whether corporation or policy group). These 622 individuals are a subset of the 6,751 directors of the world's major corporations, 92% of whom held only one directorship in a sample organization at year end 1996. Many of the individuals holding single directorships may be important business leaders in national contexts, and may thereby extend the *reach* of the global network into diverse national settings. However, they do not contribute to the global network's *coherence*, which is our prime concern. Similarly, although some of the 53 corporations lacking any interlocks with other organizations in our sample may be ultimately connected to the global network via interlocks with other companies not included in this study, the focus here is on the firms that contribute one or more directors to the global network. Thus, our analysis features the 622 corporate directors and the 302 organizations (five of them policy groups) that constituted the global corporate-policy network at year end 1996.

## RESULTS 1: A GLOBAL CORPORATE ELITE?

Our first research question directs attention to the individuals who carry the transnational network: who are they and how do they create social structure through their group-affiliations? Table 2 categorizes the global corporate elite into eight types, based on (a) position in the network of corporate affiliations and (b) position in the network of policy-group affiliations.

The first five types (a–e) depict the network's *inner circle of cosmopolitan linkers* (cf. Useem 1984)—105 corporate directors whose affiliations span national borders, or link global policy boards to each other. These directors are cosmopolitans much in the sense originally employed by Gouldner (1957): they are oriented not toward particular national firms and networks but toward a

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as representatives of the member companies. In the case of the Bilderberg Conference (which has no membership), only people who attended in both 1996 and 1997 were included. Information on policy-board membership was obtained either directly from the group, from the group's annual report, or (in the case of Bilderberg) from published listings of attendees, as in Reuters's listing for 1997.

<sup>12</sup> For Japanese and South Korean names, whose translated versions in English sometimes vary, colleagues from these countries kindly assisted with the verification procedure. We are grateful to Professors Koji Morioka (Kansai University), Unno Yahiyo (Kanazawa University), and Bokhyun Cho (Taejon National University of Technology, Seoul) for their indispensable assistance.

Table 2 – Positions in the Corporate-Policy Network

Type	Description	N of Cases	%
a	Transnational linker, 2 or more policy boards	6	1.0
b	National linker, 2 or more policy boards	5	0.8
c	1 corporate board, 2 or more policy boards	6	1.0
d	Transnational linker, 1 policy board	14	2.3
e	Transnational linker, no policy board	74	11.9
f	National linker, 1 policy board	34	5.5
g	1 corporate board, 1 policy board	83	13.3
h	National linker, no policy board	400	64.3
	<b>Total</b>	<b>622</b>	<b>100.0</b>

wider field of action. The next three types (f–h) describe directors whose affiliations position them on the *periphery* of the global network.

From this typology we can note that:

- Most of our global corporate elite have corporate affiliations only within one country. The contribution that the 400 purely national corporate linkers (type h) make to elite integration is indirect at best and contingent upon their serving on common boards with members of the inner circle.
- At the other end of the spectrum, the most cosmopolitan directors are the six people who sit on multiple policy boards and whose corporate directorships cross national borders (type a). Indeed, it is clear that the international network is primarily a configuration of national corporate networks, integrated for the most part through the affiliations of a few dozen individuals who either hold transnational corporate directorships or serve on two or more policy boards. It seems that Carroll and Fennema's (2002) characterization of the transnational corporate network as a superstructure resting upon resilient national bases applies also to the corporate-policy network.
- There is an unsurprising relationship between participation in the transnational corporate network and participation on the policy boards.<sup>13</sup> Individuals well-connected in the world of global corporate business

<sup>13</sup> While 22% of the transnational corporate linkers have one or more policy-group affiliation, only 9% of national corporate linkers, and only 0.14% of all single-corporation directors do. This last percentage is calculated on the basis of all 6,129 single-corporation directors.

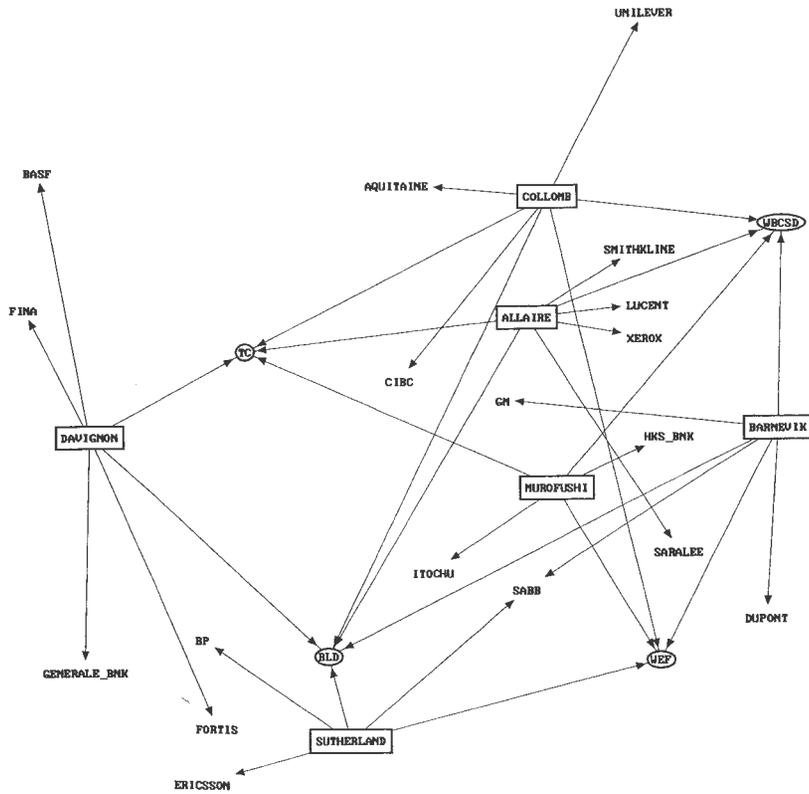
also tend to be well-connected in the world of elite policy-planning and consensus formation, suggesting a highly centralized corporate-policy network.

- Notwithstanding this relationship, the policy groups draw a number of "locals" into a field of global governance. Of the individuals who direct two or more companies that are all within a single country, five serve on multiple policy boards, and 34 direct one policy group. Finally, among those with only one corporate directorship, six direct multiple policy groups and 83 serve on single policy boards.

As a transnational structure, the network is carried by a few dozen cosmopolitans—94 transnational corporate linkers (types a, d and e) and an additional 11 directors whose corporate affiliations are not transnational but who sit on multiple global policy boards (types b and c). Through their networking, these 105 individuals make the most immediate structural contributions to transnational class formation. One way of displaying these contributions is to examine successive "layers" of the inner circle of cosmopolitan directors. In Figure 1 we show the configuration of 18 corporations and four policy groups that is knit together by six individuals comprising type a of Table 2. We have drawn the lines from the persons (enclosed in rectangles) to the organizations (the policy groups are enclosed with curves): the arrows point to the organizations with which each person is affiliated. This most cosmopolitan *nucleus* is densely packed. Most of the six directors sit together on multiple policy boards. Indeed, Bertrand Collomb, (president of Lafarge, a French-based TNC not large enough to qualify for our sample, and 1997 "manager of the year" according to *Le Nouvel Economiste*) sits on all four policy boards and thus meets Minoru Murofushi, Chair of Itochu Corporation, on three of them. However, with the exception of Percy Barnevik (president of Swiss-based Asea Brown Boveri [ABB]) and Peter Sutherland (vice chair of BP and also a director of ABB), there are no interlocking corporate directorships among the six. Within this nucleus the integrative function of the policy boards is clear: without them these transnational linkers would be for the most part detached from each other; with them they comprise a tightly-knit social unit, with representation from the USA (Paul Allaire, president of Xerox), Britain (Sutherland), Japan (Murofushi), and continental Europe (Barnevik, Collomb, and Etienne Davignon [deputy chair of the management board of Fortis]). In all, eleven European, six North American and one Japanese company are linked into this nucleus.

In Figure 2, the network is extended to all corporate directors having two or more policy-group affiliations, including the 11 non-transnational linkers that comprise types b and c in Table 2. This addition brings in 14 more corpora-

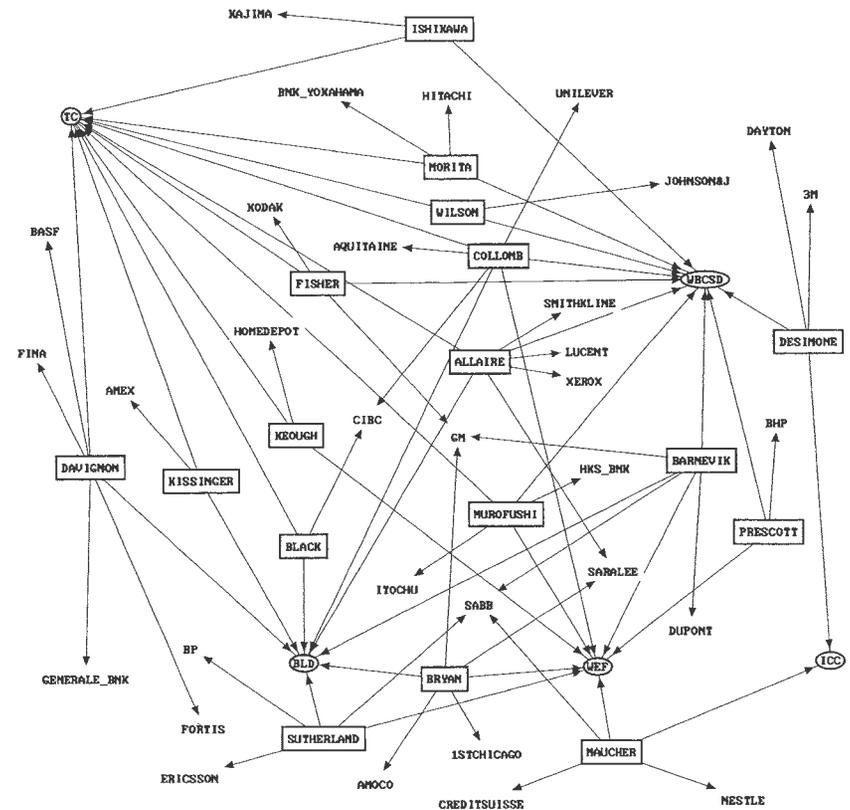
Figure 1 – The Nucleus of Six Transnational Linkers and their Multiple Policy-Group Affiliations



tions—eight from the USA, three from Japan, two from Europe and one from Australia, and furnishes a picture of the corporate-policy network’s densely-connected *core*. The integrative role of four policy groups stands out: each is a meeting place for between eight and eleven of the 17 corporate directors, with the Trilateral Commission being the most centrally positioned. The TC and WBCSD serve as transnational meeting points for all three of the Japanese directors, but equally, these individuals serve as ambassadors between the fields of global policy work and of Japanese corporate governance, while also linking the TC with the WBCSD.

The corporate-policy core includes the fifth policy group—the ICC—on which sit Livio Desimone (chair of the WBCSD and CEO of 3M), and Helmut Maucher (vice president of the ICC, CEO of Nestle and director of the WEF).

Figure 2 – The Core of 17 Corporate Directors with Multiple Policy-Group Affiliations



Maucher’s directorship with ABB further underscores the importance of this company in the global network: all three ABB directors in the network core also direct the Swiss-based WEF (in fact, all three sit on the 12-man Foundation Board at the heart of the WEF’s planning process), and two of them also are regular attendees at Bilderberg. Other centrally positioned corporations in the network core include US-based General Motors (itself interlocked with ABB via Barnevik) and Sara Lee (interlocked with GM via Sara Lee president John Bryan), and Toronto-based Canadian Imperial Bank of Commerce (CIBC).

As a group, the 17 corporate directors whose group affiliations place them at the core of transnational class formation show an obvious Euro-North American bias. Corporations sited on the semi-periphery are entirely absent from the network, and only five Asia-Pacific companies (four of them Japanese) are repre-

Table 3 – Distributions of Companies and Individuals by National Domicile

Domicile	Percent of Firms	Percent of Inner Circle	Difference
Canada	3.4	5.7	+2.3
USA	25.7	21.0	-4.7
Netherlands	2.6	7.6	+5.0
UK	9.7	16.2	+6.5
Germany	9.1	14.3	+5.2
France	7.1	11.4	+4.4
Italy	3.7	1.9	-1.8
Switzerland	2.0	3.8	+1.8
Sweden	.9	2.9	+2.0
Belgium	1.1	5.7	+4.6
Spain	1.1	1.9	+0.8
Norway	.3	0.0	-0.3
Australia	.9	1.9	+1.0
Japan	20.9	5.7	-15.2
Brazil	1.4	0.0	-1.4
Mexico	.6	0.0	-0.6
Venezuela	.3	0.0	-0.3
Argentina	.3	0.0	-0.3
Russia	.9	0.0	-0.9
Turkey	.3	0.0	-0.3
South Korea	3.7	0.0	-3.7
Hong Kong	.9	0.0	-0.9
Taiwan	.6	0.0	-0.6
Singapore	.9	0.0	-0.9
Malaysia	.3	0.0	-0.3
India	.3	0.0	-0.3
South Africa	1.1	0.0	-1.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>

sented. At this point, we approach the limits of visually depicting the entire set of relations among persons and organizations. Yet, these top layers are part of a deeper structure that includes, in particular, the 88 transnational corporate linkers who do not sit on multiple policy boards. Before moving to a structural analysis of the entire network, it is worth considering the national, class, and gender composition of the inner circle of 105 cosmopolitan corporate directors.

Although the inner circle's members are indeed cosmopolitans, this does not render them rootless. Analysis of their corporate affiliations and other biograph-

ical details provided ample bases for categorizing each into a 'national' affiliation. For executives, we took the national domicile of their home firm to indicate their national base of operations; for outside directors we considered other biographical information, including the locus of their careers and residence. Table 3 compares the national composition of our sample of corporations with the national composition of the inner circle. At the centre of things, Europeans and North Americans entirely predominate. Although our sample includes the 40 largest companies of the semi-periphery, corporate directors based outside the centre of the world system are completely absent from the group of 105. This implies that whatever interlocks link the network's inner circle to its margins emanate from the centre, not the semi-periphery, of the world system.

It is also noteworthy that certain national sites are over-represented among the cosmopolitans—especially such middle powers as Belgium, the Netherlands, Switzerland and Canada, along with three major EU powers, Britain, Germany and France. Conversely, three advanced capitalist states are under-represented—the USA (slightly), Italy (more so) and Japan (extremely). Thus, while Belgium and Japan each contribute six directors to the inner circle, Belgium's proportionate contribution is far greater than Japan's.

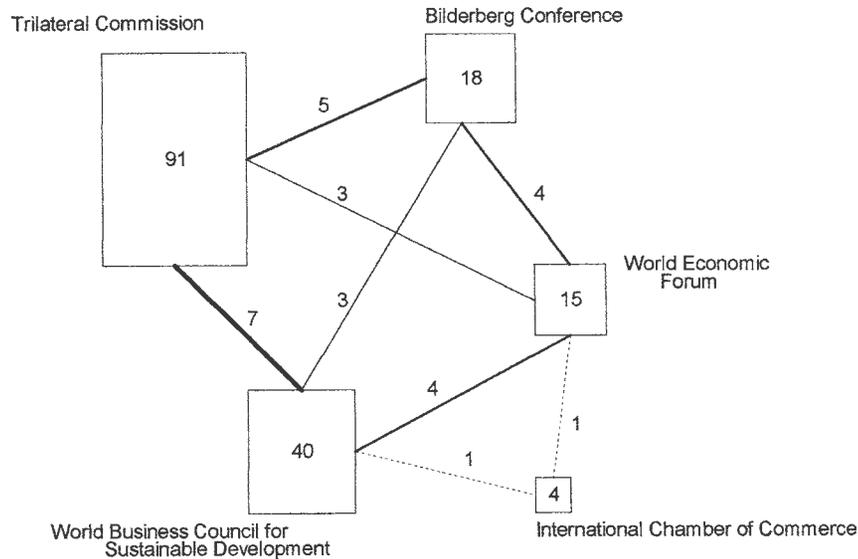
A rudimentary analysis of class positions revealed that 39 cosmopolitans were executives in a Top 350 corporation and 26 were executives in other companies. The remaining 40 were corporate advisors, 12 of whom were retired corporate executives serving as outside directors to various firms. The inner circle is primarily a collection of leading corporate capitalists, directing some of the world's largest companies as well as companies not in our sample. A further cross-classification showed that proportionately more corporate capitalists than corporate advisors tend to be on the policy boards. Leadership in the policy domain has not been delegated to a separate stratum of organic intellectuals, or, put another way, top global capitalists serve also as organic intellectuals.

Finally, a look at gender confirmed that male dominance continues to be the order of the day at the very top of the global corporate world. Only six members of the inner circle were women, and four of these were advisors to corporations, not executives.

## RESULTS 2: THE NETWORK AS AN INTER-ORGANIZATIONAL FIELD

We now move to our second research question, and to a representation of the corporate-policy network as a set of inter-organizational relations. Such relations can be traced *among* the policy groups and *between* them and the corporations. We saw in Figure 3 that the group affiliations of just 17 cosmopolitans generate many interlocks among the policy groups. These are displayed as an

Figure 3 – Number of Interlocks Among Five Global Policy Groups



**Note:** Boxes are proportionate in size to the number of corporate-elite members affiliated with each group (indicated within each box). Line thickness reflects the number of shared elite members.

inter-organizational network in Figure 4. TC emerges as a central meeting point for the transnational corporate elite, but the WBCSD also plays a highly integrative role. The Bilderberg conferences and the WEF each bring more than a dozen major corporate directors together,<sup>14</sup> but the International Chamber of Commerce's board has a lower profile in the transnational corporate elite. This must be understood in terms of the ICC's specific position in the organizational ecology of transnational neoliberalism. In contrast to the other four groups, the ICC's distinctive contribution to transnational class formation is to integrate capitalism's centre with its margins; hence the ICC board blends a smattering

<sup>14</sup> In addition to the 18 people who attended both the 1996 and 1997 Bilderberg meetings, 12 attended the Conference in 1996 but not 1997 and nine attended in 1997 but not 1996.

<sup>15</sup> Specifically, its 1996 executive board of 27 members and international officers included 12 corporate directors based on the semi-periphery, 11 based in Europe, three in the USA or Canada, and one in Japan.

of the global corporate elite with various representatives of national and local capital.<sup>15</sup>

As for the inter-organizational relations, the 17 interlocking directors establish close relations among four of the five policy groups. For instance, four of the 15 leading corporate directors who sit on the WEF board are also regular attendees at Bilderberg. Extensive overlapping memberships among four of the five groups suggest that inter-group differences in policy and strategy do not make for cleavages within the corporate elite.

If direct interlocks among policy boards provide some basis for elite consensus-formation across organizations pursuing distinct yet complementary agendas, another source of elite integration can be found in the extent to which the *social circles* of the policy groups intersect. Do the same corporate boards that interlock with one policy group also interlock with another? Such overlaps would point to another source of corporate-policy group symbiosis—pulling the policy boards closer to each other via the mediation of corporate boards, and *vice versa*, and collaterally integrating the lifeworld of the global corporate elite. A key issue in this regard is which corporations—and which “national fractions” of capital—are centrally positioned in the structure of overlapping social circles. To highlight the main corporate participants in the policy-group social circles, Table 4 lists the 27 corporations maintaining at least three directorship interlocks with the policy groups.

Heading the list is Zurich-based industrial conglomerate ABB, whose directors serve on all five policy boards. Interestingly, eight of the nine corporations that are most interlocked with the policy boards are industrials, the exception being the CIBC; and seven of those nine have one or more directors on each of the four most central policy groups. Although there is no one “nationality” that predominates in the policy-board social circles, the North Atlantic presence is striking. There are also some interesting patterns in the group-affiliations. The board of the World Economic Forum is interlocked with a good many European firms; the Bilderberg Conference and World Business Council for Sustainable Development recruit from both European and American firms; and the TC includes directors from all regions of the world-system's core—most remarkably, four directors from Osaka-based Kansai Energy. The TC is interlocked with all but one of the 27 corporate boards, and it maintains “thick” (multiple-director) interlocks with a number of financial institutions, including Chase Manhattan. In contrast, the WBCSD tends to share directors with industrial companies such as Xerox, GM, Nestle, BP, Unilever, and ABB. There thus appear to be elective affinities between large financial institutions and the TC on the one hand, and certain industrials and the WBCSD on the other.

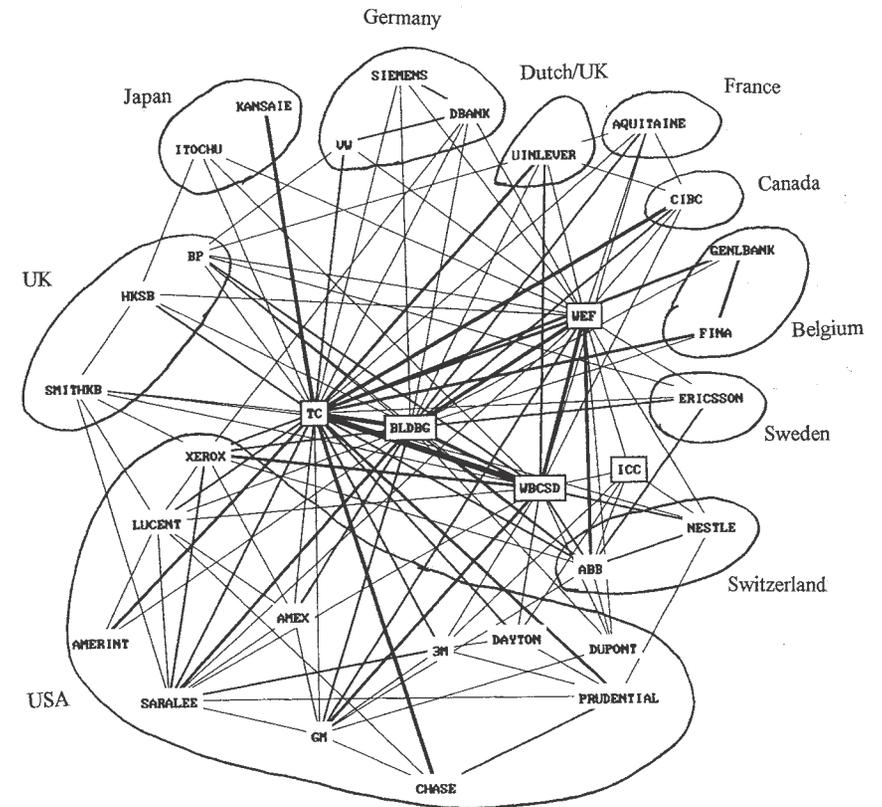
The network of interlocking directorates among these 27 corporations and

Table 4 – Numbers of Corporate Directors on Five Global Policy Boards, 1996

Corporation	Domicile	TC	WBCDS	BLD	WEF	ICC	Total
ABB	Swiss	2	2	2	3	1	10
CIBC	Canada	4	1	2	1	0	8
GM	USA	1	3	2	2	0	8
Unilever	Dutch/UK	3	2	1	1	0	7
Sara Lee	USA	2	1	3	1	0	7
Xerox	USA	2	3	2	0	0	7
BP	UK	1	2	1	1	0	5
Aquitine	France	1	1	2	1	0	5
Nestle	Swiss	1	2	0	1	1	5
Hong Kong Savings Bank	UK	2	1	0	1	0	4
Fina	Belgium	3	0	1	0	0	4
Generale Bank	Belgium	3	0	1	0	0	4
Ericsson	Sweden	1	0	2	1	0	4
Kansai Energy	Japan	4	0	0	0	0	4
3M	USA	2	1	0	0	1	4
American International	USA	3	0	1	0	0	4
Chase Manhattan	USA	4	0	0	0	0	4
Dayton Hudson	USA	2	1	0	0	1	4
Lucent	USA	2	1	1	0	0	4
Smithkline Beecham	UK	1	1	1	0	0	3
Deutsche Bank	Germany	1	0	1	1	0	3
Siemens	Germany	1	0	1	1	0	3
VW	Germany	2	0	0	1	0	3
Itochu	Japan	1	1	0	1	0	3
American Express	USA	1	0	2	0	0	3
Dupont	USA	0	1	1	1	0	3
Prudential	USA	3	0	0	0	0	3

five policy groups is shown in Figure 4, where we can see the extensive ties that converge on four of the groups, each heavily interlocked with the others. Although some of the corporate boards interlock transnationally—e.g., Unilever, ABB, BP—most share directors only with companies based in the same country, and this is especially the case for thick ties such as those between Xerox and Sara Lee or Deutsche Bank and VW. This persistence of national networks in conjunction with a modest transnationalization of interlocking has already been reported by Carroll and Fennema; what our analysis adds is a sense of how, amid the persistence of national corporate power structures, the global policy groups fulfill an integrative function, bringing together corporate directors and capitalist

Figure 4 – Interlocks Among Five Global Policy Groups and 27 Centrally-Positioned Corporations



Note: National domiciles are indicated by closed curves.

interests from various quarters of the world-system's centre.

Extensive interlocking with policy boards is the prerogative of the relatively few corporations listed in Table 4, all but two of which interlock with multiple policy groups. The 27 corporations, barely eight per cent of our sample, account for 128 of the 305 directorship interlocks between all corporations and the five global policy groups. Moreover, corporations whose boards overlap with the policy groups also tend to be central in the network of corporate interlocks: among our 350 corporations, the Pearson correlation between  $n$  of interlocks with policy groups and  $n$  of interlocks with other corporations is 0.434. Evidently, the corporate-policy network is quite centralized. Yet it also spreads out to include a great many companies whose directorates are only weakly linked to the policy

groups or to other major global corporations. Beyond the 27 centrally-positioned corporations are 52 companies with two directorship interlocks to the policy groups and 73 firms with one policy-group interlock. However, 198 of our 350 corporations, including nearly all companies domiciled in the semi-periphery, share no directors with the policy groups. This exclusion of the semi-periphery has been built into the declared constituency of the Bilderberg group and the TC (neither of which included in 1996 a single director of a semi-peripheral firm), but it largely applies to the other groups also.<sup>16</sup> The only really salient regional fracture in the network is the massive divide between the world's system's centre and its (semi-)periphery.

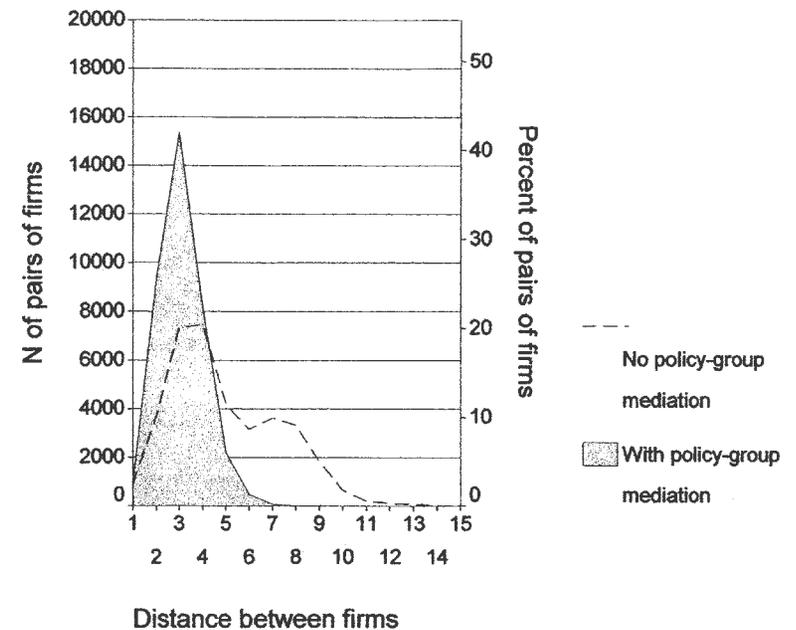
### RESULTS 3: THE INTEGRATIVE CONTRIBUTION OF ELITE POLICY GROUPS

To test the integrative impact of policy-board affiliations we began with our entire corporate elite (622 individuals) and our entire sample of organizations (355). Since 53 of the 350 firms did not interlock with any organizations in our sample, this network has 924 points: 622 people, 297 corporations and five policy groups. *All but eight companies and five people are ultimately connected*, forming a dominant component that includes nearly all the persons and organizations that participate in the practice of interlocking directorships in one way or another. The network core that we mapped in our initial sociograms reaches to include most of the world's major corporations.

We next determined the size of the dominant component based purely on intercorporate ties. Leaving the policy-group affiliations aside, the dominant component shrinks only slightly, losing 18 companies and 23 people grouped into 11 small components. Although the *n*'s are small, these results show that some major corporate boards (like Toshiba, Sumitomo, NEC, Samsung, Montedison, Anglo-American Corp., Compaq, Cargill, and Koc Holdings), and some countries (like South Korea, Turkey and South Africa) are brought into the transnational network purely through policy-group interlocks. The global policy boards have definite local impacts, as they establish portals into the transnational busi-

<sup>16</sup> The WBCSD is interlocked with 51 corporate boards, but shares a director with only one semi-peripheral firm (Seoul-based Samsung Electronics); the WEF is interlocked with 27 corporations, but shares a director with only one semi-peripheral firm (Johannesberg-based Anglo-American Corp.); the ICC is interlocked with seven corporations, but shares a director with only one semi-peripheral firm (Istanbul-based Koc Holdings, the investment vehicle of ICC President Rahmi Koc).

Figure 5 – Distribution of Intercorporate Distances in the Dominant Component, With and Without Mediation of Policy-Group Ties



ness community. Yet even without these mediations the intercorporate network extends to most of the world's leading firms.

As a more systemic test of the policy boards' impact, we calculated the extent to which corporate interlocks with the five groups *reduce the distance between corporations* in the global network. Given the centralized character of the corporate-policy network, and the extensive interlocks and overlaps among the policy boards, we might plausibly expect the policy boards to function as "hubs," pulling the corporations more closely together as corporate directors collaborate in the policy field.

With this working hypothesis, we examined the geodesic distances between points in the inter-corporate network, with and without the mediating ties provided by policy-group affiliations. At this systemic level, the contribution of the policy groups to overall network integration is quite striking (see Figure 5). The density of interlocking for the entire dominant component of 271 corporations is .024; i.e., 2.4% of all pairs of companies are directly interlocked. However, only 10.1% of pairs of firms can reach each other via a third firm (distance=2). Yet when we include relations that are mediated by corporate ties to common

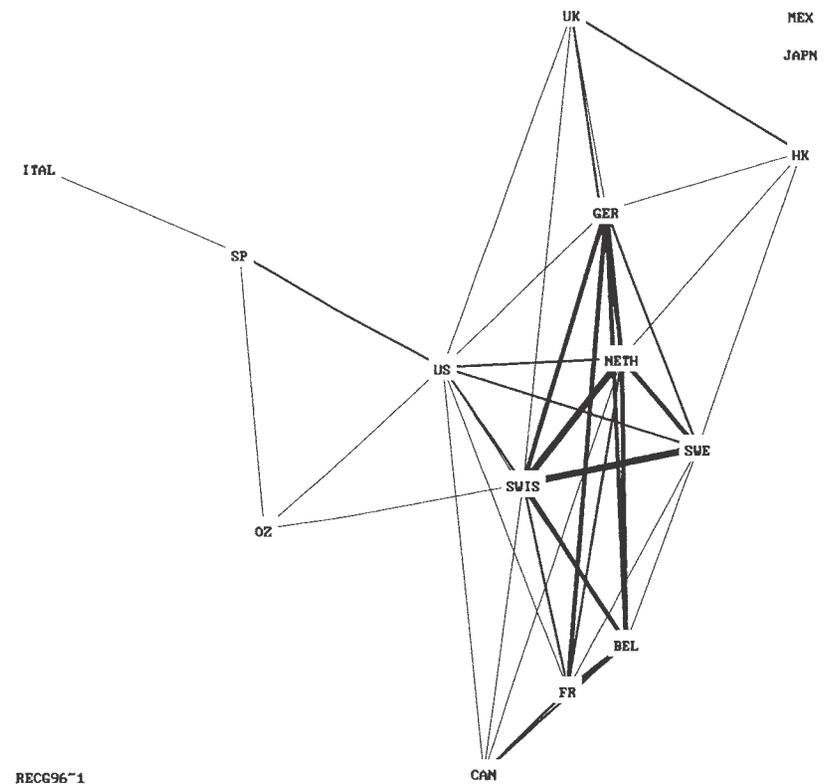
policy groups, fully 25.8% of pairs of firms are linked at one remove. And whereas through corporate boards alone, only 32.6% of all pairs of firms are connected at two removes or less, 72.2% can reach each other by no more than two intermediaries when paths running through the policy boards are included. At the outer reaches of the component, the diameter drops from 15 to nine when paths running through the five policy boards are included in the calculation of distances.

A key issue is whether the broad pattern of participation in the policy groups draws corporate capital sited in particular locations in world system into the international business community. Do corporate-policy interlocks reduce the average distance among corporations based in different countries? Figures 6 and 7 present aggregated sociograms in which each point represents the set of firms domiciled in a given country and line thickness represents the mean proximity between firms based in two countries. These plots depict inter-national proximities based on a non-metric scaling of mean distances; hence within each two-dimensional space the distances correspond fairly well to actual mean distances between domiciles.<sup>17</sup>

When, in Figure 6, only corporate interlocks are considered in calculating distances it is north-west continental Europe that is most transnationally integrated: mean distances among the German (GER), Dutch (NETH), Swiss (SWIS), Swedish (SWE) and Belgian (BEL) networks are often less than 3.0. For instance, the mean distance between Dutch and Swiss firms is 2.44—not much higher than the mean distance among Dutch firms (1.86) or among Swiss firms (1.60, the lowest mean distance in the network). France (FR) is also part of this continental bloc, with relatively close ties to corporate Belgium (mean distance=2.57) and Germany (2.86). However, on average, firms sited in Britain and the USA are not as proximate, either to the European continent or to each other, perhaps reflecting looser business systems organized more around “exit” options than around the exercise of “voice” within stable relations of corporate control, as on the continent (Carroll and Fennema 2002). The mean distances among Canadian-based firms (CAN, 1.91) resemble those of north-west Europe, and the ties linking Power Corporation and the CIBC to Belgian and French corporations make for a certain propinquity among these domiciles. Spanish (SP)

<sup>17</sup> Note that the thickest lines represent mean distances less than 2.5; the thinnest represent mean distances between 3.5 and 3.999. Mean distances greater than 4 are represented as absent ties, although in fact all corporations in the component are, by definition, ultimately connected. The full matrices of mean distances are available from the first author.

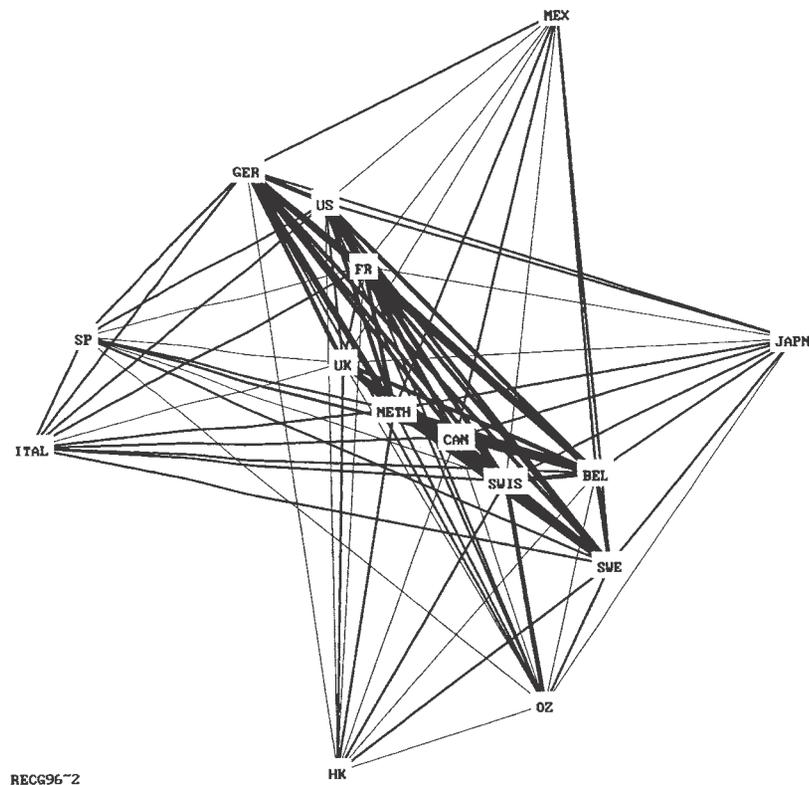
Figure 6 – Mean Inter-National Distances Among 271 Corporations, Based on Corporate Interlocks Only



and Italian (ITAL)–based firms and companies based in Australia (OZ) and Hong Kong (HK) are relatively peripheral. Mexican and Japanese corporations are very peripheral, the largest mean distances in the international network being 9.88 between Italian and Japanese firms and 9.33 between Mexican and Japanese firms.

When the corporate-policy interlocks are included as indirect, mediating ties, in Figure 7, mean distances decrease sharply. Companies sited in the three Anglo-American countries—heavy participants on the policy boards—become fully integrated with the continental European block, whose own transnational proximities thicken. However, firms domiciled in southern Europe or outside the North-Atlantic heartland remain relatively peripheral. Thus, the basic pat-

Figure 7 – Mean Inter-National Distances Among 271 Corporations, Including Paths Mediated by Five Policy Groups



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tern of differential regional participation in the network is maintained, even as the absolute distances drop. The largest mean distance, in an aggregated network that now includes Mexican and Japanese firms, is only 4.5 (between Mexico and Hong Kong and also between Australia and Mexico); the mean distance between corporate Japan and corporate Italy drops from 9.88 to 4.08. Indeed, it is clear that for corporate Japan the policy groups play an important bridging role into global management. By virtue of the participation of Japanese corporate directors on the policy boards, the mean distances between corporate Japan and firms domiciled in the North Atlantic drop from a range of 6.15–8.00 to a range of 3.33–3.64.

The one Australian based firm in the component can serve to illustrate how the mediation of corporate-policy interlocks pulls the transnational network together. J.B. Prescott, CEO of Broken Hill Proprietary, a major transna-

tional mining company and Australia's largest industrial firm, sits on both the WBCSD and WEF boards, thereby establishing a representation of Australian-based resource capital within the two Swiss-based policy groups. These boards, as we have seen, are staffed with directors of a great many corporations based primarily in Europe and North America, but also Japan. As we saw in Figure 2, the WEF board alone includes three major directors of three Swiss corporations; hence Prescott's participation in WEF governance establishes ties at one remove between BHP and these Swiss companies. Since the Swiss network is itself highly integrated Prescott's WEF and WBCSD directorships have the effect of reducing the mean distance between BHP and the seven Swiss-based companies from 3.50 to 2.67. The impact with regard to Japan-based corporations, several of whose directors sit with Prescott on the WBCSD, is even more dramatic. When the mediating impact of policy-group affiliations is included the mean distance between BHP and the Japan-based members of the component plummets from 8.40 to 3.75.

## DISCUSSION

In conclusion, let us first revisit our three research questions and take stock of what we have learned. The first question we posed concerned the role of key individuals at the centre of the network. We have found that a few dozen cosmopolitans—primarily men based in Europe and North America and actively engaged in corporate management—knit the corporate-policy network together by participating in transnational interlocking and/or multiple policy groups. This inner circle creates the interlocks that make the network a transnational formation. A mere 17 corporate directors, some of whom serve on as many as four policy boards, create a plethora of relations among the policy groups. As a structure supporting transnational capitalist class formation, the network is highly centralized in terms of the individuals and organizations that participate in it. Yet from its core it extends unevenly to corporations and individuals positioned on the fringes of the transnational network.

Our second question focused on the organizational level, at which we found that the policy groups differ markedly in the extent to which the directors of the world's leading corporations participate on their boards. The International Chamber of Commerce (ICC), whose contribution to transnational capitalist class formation is focused around the integration of the centre with its margins within a discourse of free-market conservatism, is least involved at the core of the network. In contrast, the other four groups, which advocate more structuralist or regulationist variants of neoliberalism, are deeply enmeshed within the global corporate elite. They are substantially interlocked with each other as well as with

common corporate boards, a small number of which account for two-fifths of all the corporate-policy links. Most significantly, while the North Atlantic is especially well represented in the contingent of interlocked corporations, corporate capital domiciled outside the world system's core states is almost entirely detached, suggesting that van der Pijl's (1984) image of a North Atlantic ruling class has retained its cogency to the close of the twentieth century. Compared to this dominant pattern, other elements of possible fractionation—as in the elective affinities that appear to attract financial capital to the Trilateral Commission (TC) and industrial capital to the World Business Council for Sustainable Development (WBCSD)—barely register.

Finally, although the practice of interlocking corporate directorates already links most of the world's leading corporations into a single network, corporate-policy interlocks make a dramatic contribution to global corporate-elite integration. This additional layer of social structure, within which leading corporate capitalists step beyond their immediate economic interests to take up matters of global concern, pulls the directorates of the world's major corporations much closer together, and collaterally integrates the lifeworld of the global corporate elite. But if the policy groups mediate and thereby strengthen inter-corporate relations they do so selectively, in a way that reproduces regional differences in participation. Thus, even as the presence of 27 Japanese corporate directors, distributed among three of the five policy boards, pulls corporate Japan closer to the network's North Atlantic centre-of-gravity, that centre becomes even more tightly bound through the heavy participation of North Americans and Europeans on the policy boards.

These findings support the claim that a well-integrated global corporate elite or business community has formed, and that global policy groups have been instrumental in its formation. Whether this elite confirms the arrival of a transnational capitalist class is partly a matter of semantics and partly a matter of substance. From one perspective, it is striking how selective participation in the corporate-policy network is, and how centralized its structure is. Within an already elite group of leading corporations and corporate directors, those who actually constitute the network comprise a small core of cosmopolitan individuals and corporations, with a strongly Euro-North American bias. In contrast, most individuals who participate in the global network do not hold elite positions beyond their home nation. As a mode of business activism, the network evokes the image of a vanguard more than a mass movement. Yet as we have seen, it comprises a single connected component, with considerable reach, and the policy boards effectively draw the national sub-networks into an integrated transnational structure. Moreover, claims about the formation of a transnational capitalist class do *not* depend exclusively on the structure of elite networks.

Sklair (2001), for example, points to cultural practices—the worldly assumption of social responsibility, the shared ideology of consumerism—as integral aspects of transnational capitalist class formation. As Gramsci understood, class formation involves both structure and culture, and although network analysis gives some purchase on the former we have done no more than telegraph some of the discursive elements of neoliberal globalization as a hegemonic project.

However one might assess the thesis of transnational class formation, conspicuously absent from the corporate-policy network are corporations and capitalists based on the periphery and semi-periphery of the world system, and in this sense the network seems to present one facet of a collective imperialism, organized so as to help manage global capitalism from the centre (see Steven 1994). In the blending of persuasion and coercion that such management entails, the policy groups clearly seek to persuade. They operate at one remove from the structural adjustment programs, “poverty reduction strategies” and other enforcement mechanisms, including the capacity for military intervention, that are the province of statist bodies, whether national or international. They foster discussion of global issues among members of the corporate elite, often in combination with other influential political and professional elites. They facilitate the formation of a moving elite consensus that is framed within one or another variant of neoliberal discourse. They educate publics and states on the virtues of the neoliberal paradigm. In short, they are agencies of political and cultural leadership, whose activities are integral to the formation of a transnational capitalist class.

The network of interlocks between policy boards and the world's major corporations forms an important communication structure in this process. All five of the policy groups are embedded in the global network, and with extensive interlocking among four of them and a key elite-level connection between the most “regulationist” and most “free-market” group,<sup>18</sup> there is no evidence of political fracture along the lines of Robinson and Harris' (2000) typology. By the same token, each group has its own history and *modus operandi*, occupies a unique niche in the organizational ecology of transnational neoliberalism, and finds a distinctive location in the network. We have seen that the ICC is comparatively marginal to the life of the global corporate elite as we have defined it, yet its policy work sustains a very broad network that links local capital from sites throughout the world system into the centre, in a hard-line project of free-

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<sup>18</sup> See Figure 2, which shows that the Chair of the regulationist WBCSD is also an *ex officio* director of the ICC, owing to the ICC's founding sponsorship of the WBCSD.

market conservatism. In contrast, the Bilderberg Conference is exclusively Euro-North American and well ensconced in the corporate network, and its gatherings bring business leaders together with political leaders in informal discussions that have tended to promote a neoliberalism that retains a managerial role for the state. The World Economic Forum (WEF) and Trilateral Commission (TC), both strongly integrated with the corporate network, champion a similar project, but they render it more tangible in the activities of various working groups and the issuance of extensive policy documents and other texts. Both groups bring together agents and interests beyond the Euro-North American core and beyond the corporate elite *per se*, in explicit attempts to articulate a global political-economic interest. Finally, the WBCSD extends the general interest to the peaceful coexistence of capitalism and nature, and like the WEF and TC, draws Japanese business leaders into the network. Instead of political fracture, we submit that neoliberalism's own pluralism, as enunciated by the different groups, ensures that the consensus is a loose and variegated one, not a monolithic doctrine.

Although our systematic data refer to 1996/1997, subsequent developments suggest that the policy groups have continued their efforts to articulate a general transnational interest within a broadly neoliberal paradigm, but not without significant contestation, beginning with the "Battle in Seattle" that raged around the World Trade Organization's 1999 Ministerial meeting and continuing through the mass protests that have greeted meetings of the IMF and World Bank in Washington (April 2000) and in Prague (September 2000), and the World Economic Forum in Davos (2000) and New York (2002). Against these delegitimizing moves from below, we can note that in July 1999 the UN Secretary-General and the President of the ICC announced a "global compact" between the UN and the private sector "to spread the benefits of globalization;" that as of 2000 the Trilateral Commission was restructured to include representation of the Asia-Pacific semi-periphery (People's Republic of China, Taiwan, Thailand); and that in 2000-2001 the World Economic Forum began to include NGOs representing "civil society" in its annual deliberations and designated a Non-Governmental Organizations Council. For its part the World Business Council for Sustainable Development continued to expand its project of corporate environmental hegemony, forging a crucial regulatory alliance of transnational capitalist development. The structural analysis we have presented here provides only a glimpse of a contentious formation that is very much under construction.

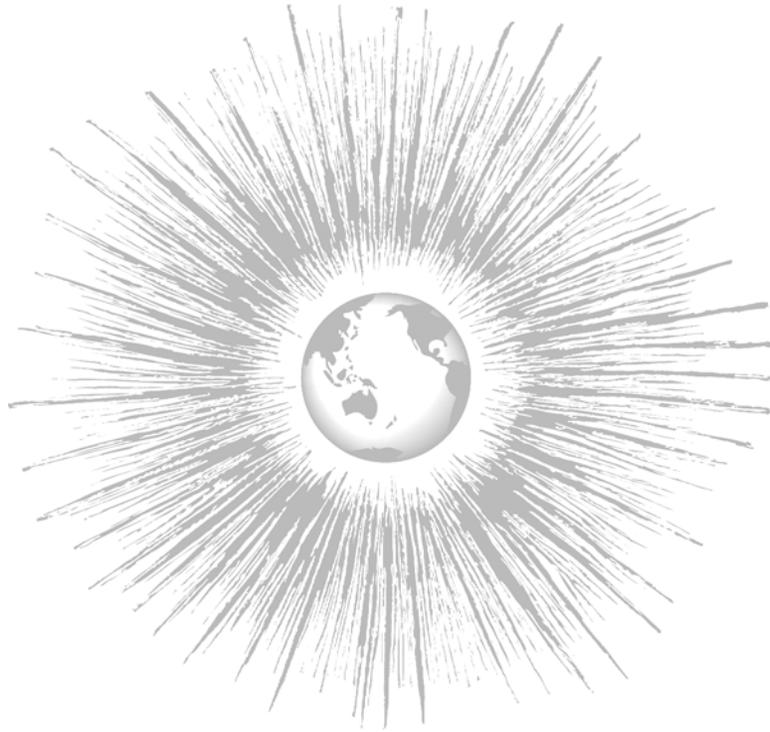
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# TRANSNATIONAL CORPORATIONS IN WORLD DEVELOPMENT – STILL THE SAME HARMFUL EFFECTS IN AN INCREASINGLY GLOBALIZED WORLD ECONOMY?\*

Mark Herkenrath  
Volker Bornschieer



## ABSTRACT

Transnational corporations (TNCs) have reached historically unprecedented weight and power in the world's political economy. Thus, the old question of how these corporations affect global development is nowadays more significant than ever. While some scholars claim that corporate globalization will eventually close the worldwide development gap, many others contend that TNC activities lead to insufficient exploitation of growth potentials within the host country, thereby hindering convergence of national income levels. The present study aims at assessing the validity of these controversial positions by confronting them with the results of past and present empirical research. In the first part, we examine the effect of TNC presence on intra-national income inequality by reviewing the most recent cross-

national studies dealing with this issue. In the second part, we present the results of our own research, which analyzes the effect of TNC presence on economic growth in a sample of 84 countries. The contemporary empirical evidence discussed in the first part as well as the results of our own analyses tend to confirm earlier findings. They suggest that dependence on TNC activities increases inequality without adding to economic growth. However, the strong negative effect of TNC presence on growth found in analyses of data from the late 1960s cannot be reproduced in our contemporary analysis. In a significant number of cases, the potentially harmful consequences of TNC activities seem to have been overcome by adequate countervailing state actions.

## INTRODUCTION AND OVERVIEW

During the last decades of the 20<sup>th</sup> century the world has experienced an impressive increase in the amount and relative importance of border-crossing economic interlinkages. Transnational corporations (TNCs) whose organizational structures transcend politics and connect various national societies have been playing a leading role in this process. The TNC system has grown substantially and gained historically unprecedented power in the political world-economy (UNCTAD 2000: Overview). The old question of how transnational corporations affect economic and social development in their host countries thus arises with renewed relevance.

The findings of previous research result in a quite bleak picture. Although standard economic theory argues transnational firms to be important catalysts of development and worldwide convergence, numerous cross-national studies on data from the late 1960s and early 1970s support the opposite view of *dependencia* and world-system theorists. They all show that TNC affiliates rather add to inequality and underdevelopment than to socio-economic progress in their host countries (Bornschieer and Chase-Dunn 1985; Dixon and Boswell 1996a,

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Mark Herkenrath  
Volker Bornschieer  
Sociological Institute  
University of Zurich  
Raemistrasse 69  
CH-8001 Zurich  
Switzerland

[herky@access.unizh.ch](mailto:herky@access.unizh.ch)  
[vobo@soziologie.unizh.ch](mailto:vobo@soziologie.unizh.ch)  
<http://www.suz.unizh.ch/>

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b). These results, however, do not necessarily hold for the contemporary era. As the impressive growth of the TNC system since the 1960s (and, with increased velocity, since the 1980s) has been accompanied by various qualitative transformations, the effects of TNC presence on national development might have changed as well (Hübner 1998). It is thus necessary to analyze more recent data and compare the results with previous findings. Up to now, surprisingly few studies have addressed this problem and assessed the actual applicability of previous results to this contemporary era of increased global economic integration. The present study aims at closing this gap. We review the most recent literature on the relation between TNC presence and income inequality, and we also explore the effect of TNC presence on economic growth by means of new cross-national analyses based on data from the 1980s and early 1990s.

The question of how TNCs influence wealth and social development in their host countries is not a new question. It constitutes the core of a vivid sociological debate that has lasted for almost three decades. Quantitative cross-national research on the topic started as early as 1975 with simultaneously published studies from authors in three different countries, Britain, US, and Switzerland (Stoneman 1975, Chase-Dunn 1975, Bornschier 1975). The three authors pioneered a novel approach. While acknowledging the immediate positive impact of foreign direct investment on economic growth they claimed that, in the longer run, development models based on a strong presence of TNCs would result in higher inequality and in under-utilization of growth potentials. Unfortunately, this view was sometimes misunderstood as claiming that the presence of TNCs prevents growth altogether (Firebaugh 1992), although none of the pioneering authors denied the fact that even dependent (semi-) peripheral economies are able to experience some economic success. By “reducing the growth potential” and “under-exploitation of convergence forces” the authors rather meant that TNCs prevent their host countries from growing as fast as possible and from climbing up in the worldwide division of labor (which, in turn, means that TNCs unwillingly perpetuate the *status quo* of an unequal and sharply stratified world). Their notion of underdevelopment—which will be applied in this paper as well—thus consisted of two aspects: (1) unequal development within a society as indicated by pronounced and enduring inequality, and (2) under-utilization of the convergence possibilities usually open to late developers.<sup>1</sup>

<sup>1</sup> In a historical perspective, taking full advantage of convergence forces means that countries that started poor have been able to industrialize and eventually achieve core status in the world system. Examples of non-European cases include Japan, South Korea and Taiwan.

Following the initial studies from 1975, many other researchers who also distrusted the supposedly beneficial effects of TNCs began testing their assumptions by means of quantitative cross-national research as well.<sup>2</sup> Despite some minor quarrels on specific findings they all came to the same empirical conclusion—they again found that TNC presence retards development. Accordingly, the school or paradigm these authors represent is usually termed the “critical” school. This name may be misleading, though. Since the early scholars mainly theorized power relations and conflicting interests, it would be more correct to call them “realists.” Not believing in the classical formula according to which “capital is capital,” they insisted that the *institutional sources* of capital and the corresponding interests matter. Explicitly or implicitly, these researchers were the pioneers of the renewal of economic sociology within the framework of the political world-economy. According to this critical, or realistic, school, the basic problem with TNCs in world development is that two different institutional agendas collide: the agenda of global capital accumulation followed by the system of TNCs on the one hand and the agenda of national needs of development on the other. We will return to this problem in the next section.

The article is organized as follows: In section 2, we review the three most important theoretical perspectives on the development effects of TNCs: (i) the “conventional” position of standard economics and modernization theory, (ii) the “pessimistic” position of *dependencia* and world-system theorists, and (iii) the most recent, yet still sketchy, “skeptical” position proposed, among others, by UNCTAD. In the third section we discuss some methodological problems that plague comparative research on TNCs, while the fourth section summarizes the empirical evidence that has been presented in the relevant literature up to this point. At first glance, the field discussed in this fourth section may seem to be over-studied. This impression is certainly wrong, though, since the topicality of the time periods studied has not caught up with economic globalization since the 1980s. As the very few studies covering the 1980s and 1990s suffer from some shortcomings and partly contradict each other, we need to perform further tests. The results of our new research are presented in the fifth section, which also con-

<sup>2</sup> Those scientists who *do* believe in the beneficial impacts of TNCs have presented remarkably few, if any, cross-national tests of their hypotheses. There is a huge variety of studies on the short-term effects of foreign direct investment (FDI) inflows, but the structural and long-lasting changes brought about by the presence of TNCs in developing economies have been neglected—although analyzing flow measures like foreign investment is conceptually distinct from the study of the accumulated impact of TNCs.

tains an evaluation of the hypotheses. In the sixth section we list our conclusions and close the paper with some suggestions for the future research agenda.

### THREE THEORETICAL POSITIONS

The question of how TNCs influence national development has generated a long-lasting and intense scholarly debate. Two “classical” positions can be distinguished in this debate: the conventional position derived from standard economic theory, and the pessimistic position proposed by *dependencia* theorists and most proponents of the world-system approach. In the next sections we briefly review the two approaches in order to derive from them the hypotheses that will guide our study. Moreover, we discuss a third approach, which is termed the “skeptical” position. In contending that TNC presence may have positive *and* negative effects, this promising new perspective not only combines elements of the two classical positions but also puts the state and issues of “dependency management” back on the agenda. It should be noted, however, that the skeptical approach has not (yet) produced testable hypotheses. We are thus unable to assess its validity by means of cross-national testing.

#### The Conventional Position

The core arguments of the conventional position are well known, since they reflect common sense in standard economics as well as modernization theory. Late development, conventionalists contend, is a function of capital inflows, the creative adaptation of imported technology and the diffusion of modern perspectives among the population. Since TNCs and their affiliates provide all of these badly needed resources—fresh capital, new ideas and technologies, and modern values—right on the spot, they may help their host countries to achieve faster development and catch-up in the world system. Hence, countries with a marked TNC presence should be better off than countries where foreign firms are absent or less actively involved.

Regarding the effects on income distribution, proponents of the conventional position are somewhat less optimistic and concede that TNC activities may well create further inequality. TNC presence is argued to foster the process of industrialization that, in turn, creates dualistic structures and inequality. However, given that the effect of TNC activities is transmitted by economic success and further development, it necessarily follows Kuznets’ famous inverted U-curve. Once the turning point is reached, FDI-induced development should actually start lowering the level of inequality. Thus, the hypothesized effect is neither direct nor long lasting. Rather, inequality has to be seen as a necessary but temporary price to be paid for the economic success brought about by TNCs and their investment.

The hypotheses of this position then read as follows:

- HI.1 A stronger TNC presence is associated with more income inequality. This, however, is caused by the contribution of TNCs to growing income.
- HI.2 The presence of TNCs is an advantage since their inputs accelerate convergence.

Hypotheses relating to conditional relations/interactions:

- HI.3 Since TNCs provide technology and modern outlooks, the income-generating productivity of domestic investment should be greater the larger the presence of TNCs in a host country.
- HI.4 Since the resources provided by TNCs are particularly scarce at low levels of development, the positive effect of TNC presence is more significant in poorer countries than in others.

#### The Pessimistic Position

The pessimistic position is based on a more realistic view of the divergent interests of TNCs and national governments. According to the proponents of this view, TNCs enter foreign markets to do profitable business there without paying any attention to the needs of the majority of the host country’s population. TNC affiliates do business according to, and within, the global logic of capital accumulation of their parent corporations. Yet, the pessimistic position contends, they are not only economic actors. At the same time they are involved as “national corporate citizens” in the political economy of the host country and, like any other interest group, try to influence the government to act in their favor. Although this behavior is normal politics it alters power constellations and preferences in the national political economy. Since TNC affiliates are normally among the largest corporations in the host countries, and since the huge resources of their parent corporations abroad back them, they have substantial influence on the agenda of the host government.

Whereas the optimal agenda for developing country governments aims at moving up in the worldwide division of labor (by improving the value added in ever more sophisticated branches of the economy), this is not a high priority item on the agenda of TNCs. Foreign firms, indeed, choose a given host country exactly because of the relative availability of resources and relative prices that the government would or should want to change in order to achieve upward mobility in the worldwide division of labor. Thus, countries that are highly “penetrated” by foreign firms will find it difficult to propose and successfully implement an agenda of economic upgrading against the opposition of foreign interests.

According to the pessimistic position, the hierarchical division of labor

within transnational corporations—the most important functions are performed in core countries, while more specialized and less sophisticated value-added activities are transferred to the periphery—not only corresponds with the existing stratification of the world system but also perpetuates it. The TNC system thus stabilizes the division of the world into different sections with unequal access to sophisticated economic activities and differing opportunities to generate national income. A national political economy that enters late development with the supposed help of TNCs will find it difficult to actually improve its position in the worldwide division of labor, and the optimal or potential convergence is hampered.

With regard to inequality, the argument is similar to the one proposed by the conventional position (H1.1): TNC presence leads to higher inequality. But unlike conventionalists, who claim a transitory impact, pessimists contend that inequality generated by TNC activities become institutionalized and, thus, enduring. Bornschier and Ballmer-Cao (1979), for example, claim that TNC presence affects various aspects of the internal power distribution, which, in turn, are related to overall income inequality. TNC presence, they argue, alters traditional social relations, the power distribution among formal organizations, the bargaining position of labor and the way in which resources provided by the state authorities affect life-chances.

The hypotheses of the pessimistic position thus read as follows:

- H2.1 More pronounced TNC presence is related to higher income inequality. This is not a transitory but, rather, a permanent relationship, since TNC presence transforms power relations in the host country.
- H2.2 Higher TNC presence does not add to growth and may even hinder convergence once fresh TNC investment slows down.

Hypotheses relating to interactions/conditional effects:

- H2.3 As a consequence of the altered political economy, total (domestic) investment contributes relatively little to economic growth in countries with strong TNC presence as compared to more independent countries. This is because the powerful TNC affiliates claim inputs and infrastructure from the state that could otherwise be used to support the bulk of medium and small-sized domestic companies.
- H2.4 The lower the level of development, the more the bargaining process between host country governments and TNCs is likely to result in solutions that favor the latter. Since the resources needed to reach a fairer bargain are particularly scarce in the poorest countries, the supposed negative effect of TNC presence should be more pronounced there.

### The Skeptical Position

In addition to the classical positions discussed so far, the most recent editions of UNCTAD's World Investment Reports (particularly UNCTAD 1999) and a few other publications (Blomström/Kokko 1996; Khor 2000; Kiely 1998) propose an innovative third perspective. We have decided to call this new approach "skeptical" because it accuses both the pessimistic as well as the conventional position of being over-simplistic and too one-sided. According to the proponents of the skeptical approach, TNC presence is neither unequivocally good nor unequivocally bad for host country development. Rather, the net effect of TNC presence is argued to vary in accordance with the quality of policy packages adopted by different countries.

More specifically, the adherents of the skeptical position acknowledge the potential problems related to TNC presence, and they make clear that "FDI promises more than it delivers" (Kumar, cit. in Khor 2000:39). At the same time it is claimed that "politics matter," and that a reasonable "dependency management" may make a difference. Kiely (1996:60), for example, contends that "[s]tates in the Third World are not simply passive victims of the activities of TNCs, and some have quite successfully regulated the activities of foreign capital for their own developmental ends."<sup>3</sup> In other words, the effects of TNC presence on income inequality and economic growth are argued to be ambiguous. In some cases, the skeptical approach claims, TNC activities are associated with high inequality and low economic growth. In other cases, however, host country governments may prevent these negative effects from working by pursuing successful countervailing policies.

The main problem with this new approach is that it represents a research program rather than a well-elaborated theory. The principal questions are still unanswered (i.e., the skeptical position does not give any detailed indication of *which* policies could prevent the negative effects of TNC presence from working). Nor is it made clear under what conditions a country is *able* to adopt such

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<sup>3</sup> It should be noted that "intelligent" dependency management is itself a result of state autonomy, the ability to create suitable policies and a marked capacity to implement these measures (for the statist position, see Herkenrath, forthcoming, as well as Bornschier and Trezzini 1997, 2001). In our opinion, only developmental states characterized by a high degree of autonomy and capacity can push through the national development agenda against the interests of foreign investors. In these cases, however, TNC presence may indeed add much less to inequality than elsewhere, and contribute positively to economic growth.

measures. In the case of UNCTAD's World Investment Reports these questions are deliberately avoided. The authors contend that there is no generally applicable package of "intelligent" TNC policies, and that "[a]ny good strategy must be context specific, reflecting the level of economic development, the resource base, the specific technological context and the competitive setting" (UNCTAD 1999: 315). Other researchers simply state that questions related to host country policies *vis-à-vis* foreign TNCs require further research (Blomström/Kokko 1996: 33). Fact is that the skeptical approach has not yet produced any testable hypotheses.

## METHODOLOGICAL ISSUES

The central aim of this paper is to assess the validity of the conventional and the pessimistic hypotheses presented in the previous sections. Before we go over to discussing past and recent empirical findings, some methodological issues need to be mentioned, though. At first glance, measuring the relative weight of foreign firms in a national economy may appear to be an easy task. However, looking at it again, operationalizing the importance of TNC activities (i.e. the degree of an economy's dependence on foreign investment) turns out to be quite problematic.

The earliest studies on the subject estimated the degree of dependence on TNCs by measuring the number of foreign-owned enterprises present in a country, but this rather crude indicator is unsuitable for at least two reasons: On the one hand it does not take into account the existence of joint ventures between local investors and foreign firms. On the other hand it neglects the highly variable size of foreign affiliates. Accordingly, more recent studies—including our own—measure the relative importance of the foreign-owned sector by looking at the accumulated stocks of inward-oriented FDI, which are then weighted by the size of the whole economy (as measured by GDP figures or total capital stocks). Information on FDI stocks is usually taken from UNCTAD's World Investment Reports. This alternative measure actually avoids the problems mentioned above—but it has other shortcomings. Although the data are provided by a well-known institution, their quality is not beyond doubt. On the contrary, there are substantial reliability problems, and these are again accompanied by problems concerning the indicator's validity.

### Reliability Problems

Careful reading of the footnotes and comments on the FDI data presented in UNCTAD's World Investment Reports reveals an alarming picture. It becomes evident, for instance, that only very few national statistical bureaus provide information on all three components of FDI, i.e. equity investment, re-invested

earnings, and loans provided by the parent firm. In most cases only one or two of these components can be taken into account when measuring the value of accumulated FDI inward stocks.<sup>4</sup> The other problem with UNCTAD's measures of FDI inward stocks is that they constitute mere estimates and that they refer to extremely variable time periods. In the case of Kenya, for example, the foreign direct investment stock is estimated by adding up all FDI inflows after 1970, whereas in the case of Lesotho only inflows after 1980 are taken into account. Estimates for the Seychelles relate to FDI inflows after 1976 (UNCTAD 1999: Notes to table B.3 in the Appendix). Hence, the data and any statistical finding based on them must be interpreted with extraordinary care.

### Validity

Unfortunately, reliability issues are not the only problems plaguing quantitative research on TNC activities and foreign capital penetration. One must also question whether FDI stocks constitute valid indicators of foreign influence and dependence. There are at least three problematic points we should mention. First, any FDI-based enterprise can expand its activities by taking out loans from domestic financial institutions. Since such transactions are not included in the definition of foreign direct investment, FDI stocks give a very imprecise impression of the actual "value" or weight of TNC affiliates (Henneberger et al. 1996: 420).<sup>5</sup> Second, foreign direct investment is sufficient, but not imperative, for creating dependence and establishing unequal relations. According to UNCTAD (1995: 384) there exists a great variety of other instruments by which foreign enterprises are able to establish control over the management of another firm and obtain an effective voice in the political economy of the host country: "There are non-equity forms of FDI, and they include, 'inter alia,' subcontracting, man-

<sup>4</sup> Furthermore, it should be noted that the conceptual distinction between long-lasting direct investment and short-term portfolio investment varies significantly when comparing different countries and time periods (Henneberger et al. 1997: 420). In Germany, for instance, which is a very important home country for FDI flows, the more common 10% criterion—the concept of foreign direct investment usually implies that the foreign investor owns at least 10% of the shareholders' voting power—has only just replaced the 20% rule, which in September 1989 had replaced the earlier 25% rule (Henneberger/Graf 1996: footnote 1).

<sup>5</sup> This casts some doubt on the common practice of confounding FDI with (real) investment undertaken by foreign-owned firms and of comparing FDI with "domestic" investment. Unlike the concept of gross domestic investment, FDI concerns the purchase of financial capital, which is not necessarily translated into real investment.

agement contracts, turnkey arrangements, franchising, licensing and product sharing.” The third point concerns the differing capital requirements in the various sectors and branches of the economy. In the tertiary sector a relatively small investment can buy significant influence on a whole branch and allow a firm to establish a leading position, whereas in the extractive sector the same amount of money might have no weight at all. In sum, looking at aggregate capital figures seems to be a rather crude way of estimating the economic and political influence of TNCs.

Given these criticisms, how is it that almost all contemporary empirical research, including our own, still uses aggregate FDI data to measure the “weight” and influence of TNCs? The answer is very simple: Disaggregated data on FDI in the various sectors of an economy are available only for a handful of (developed) nations. Unfortunately, the same is true for other indicators of TNC activities, including non-equity forms of investment. Total FDI stocks are the only measures that can be obtained for a broad sample of countries. And, concerning these stocks, the figures listed in UNCTAD’s World Investment Reports still seem to constitute the most comprehensive and reliable data set one can get—despite all shortcomings. Nonetheless, the methodological problems discussed here should be kept in mind when it now comes to interpreting the findings of past and recent quantitative research on TNCs.

## OVERVIEW OF THE AVAILABLE EVIDENCE

### Income Inequality

With regard to income concentration, both the conventional and the pessimistic position outlined in section 2 expect the same result: a positive relationship between TNC activity and inequality (hypotheses H1.1 and H2.1). Therefore, it comes as no surprise that all cross-national studies measuring income inequality around 1970 actually find a significant (positive) relationship with the degree of TNC presence, even when other relevant predictors of income distribution are also included in the model (for a summary and some re-analyses of early research, see Bornschier and Chase-Dunn 1985: chapter 8). However, the conventionalist assumption—that TNC presence encourages inequality only by means of further economic development—has to be rejected. Most of the studies Bornschier and Chase-Dunn discuss find that TNC presence remains strongly related to inequality even when explicitly controlling for the curvilinear effect of per capita income.<sup>6</sup> In addition, Bornschier and Ballmer-Cao (1979) find strong empirical support for their assumption that the effect of TNCs on inequality is transmitted by institutional changes, and is, thus, enduring. These facts rather favor the hypothesis of the pessimistic position (H2.1).<sup>7</sup>

Alderson and Nielson (1999) corroborate the previous findings, although they analyze a greater number of cases and a much longer time period. In their very comprehensive study, Alderson and Nielson draw upon the high-quality data set of Deininger and Squire (1996) for their inequality measures. Pooling all available information on TNC presence and income inequality over the whole period from 1947 to 1996, they reach a total of 488 observations on 108 countries. The results are quite clear. Using linear regression techniques, Alderson and Nielson find a strong and statistically solid association between the degree of TNC presence and inequality. Additional tests, however, reveal a moderate curvilinear relation: when TNC presence reaches a very high level, its effect on inequality diminishes. That is, in countries where foreign firms control almost all (formal) economic activity, further increases in TNC presence no longer add to inequality. The usual effect may even be reversed in these contexts.<sup>8</sup> But Alderson and Nielson show that not only the presence of TNC but also their investment (i.e. fresh FDI inflows) is significantly related to income inequality, which makes it very difficult, and rather unlikely, that highly dependent countries escape from the traps of TNC-led development.

In all, Alderson and Nielson are able to support the conclusions of earlier research by means of more reliable inequality measures and reveal new relations that coincide just as much with the pessimistic position. The only problem with their study is that the issue of contemporary relations remains unresolved, since

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<sup>6</sup> Indirectly, Deininger and Squire (1996: 586 ff.) call the conventionalist assumption into question as well, when they find no support for the Kuznets hypothesis in its dynamic version. There can hardly be an indirect effect of TNC presence on inequality *via* faster economic growth as long as there is no systematic relationship between the latter.

<sup>7</sup> According to Firebaugh and Beck (1994: 642, 647), TNC activities not only encourage relative deprivation (income inequality) but also impede the development of life chances. The reduction in child mortality and the increase in caloric consumption brought about by economic growth are almost three times smaller in countries with marked TNC presence than in others. TNC-led growth thus underperforms when it comes to fighting poverty and child mortality. However, our own re-analyses with data for the 1980s fail to confirm the earlier findings (results not shown).

<sup>8</sup> Note that a curvilinear pattern does not imply an actual turning point within the range of observed data. In some cases, significant square terms represent “ceiling” effects and diminishing returns.

observations for the 1980s and 1990s represent only one part of the sample.<sup>9</sup> Up to now there is a total of four quantitative cross-national studies that exclusively analyze more recent data, namely Tsai's analysis of observations for the mid-1970s (Tsai 1999), Beer's study on the situation in the mid-1980s (Beer 1999), and Kentor's analysis of structural equation models (Kentor 2001) as well as the very recent study of Beer and Boswell (2002) that both control for the effects of reverse causation.

By analyzing a total of 53 observations from 33 countries, Tsai (1995) is able to replicate the well-established positive relationship between TNC presence and inequality. At first glance, the findings presented in the previous literature seem to be corroborated once more. But by including geographical dummies and interaction terms, which transform the original models into conditional equations, Tsai detects notable regional differences. In Latin America, the varying degree of TNC presence observed across countries and time shows no systematic relation with income distribution at all, whereas TNC activities in East and Southeast Asia seem to contribute significantly, and substantially, to income concentration. In order to make sense of his results, Tsai introduces the notion of a "socially tolerable ceiling for inequality." The ceiling for inequality, he argues, was reached in Latin American countries well before the period covered by the data sample

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<sup>9</sup> The results Alderson and Nielson list allow the tentative conclusion that the contribution of TNC presence to inequality has been growing over the last decades. The authors control for year of measurement and find a very substantial positive effect of this control variable on the dependent inequality. Since time of measurement and TNC presence are positively correlated in this era of globalization, this result *might* grasp the generally increasing effect of TNC presence. Yet, further research has to disentangle the effects of TNC presence and other potential factors of inequality that have been increasing during the post-war era as well (trade, privatization of state enterprises etc.). It would come as no surprise, had we to reject our tentative conclusion. For instance, Beer's analysis of data for the mid-1980s reveals not stronger, but weaker, effects from TNC presence on inequality than the studies on the late 1960s. In Bornschier's study on inequality around 1967 (Bornschier 1983: Table 1), including TNC presence as an additional predictor increases the explanatory power of the model (i.e., the adjusted R-square) by 17 percent points, whereas the corresponding increase in Beer's model amounts to only 10 percent points. However, no definite conclusions can be drawn from this difference, since the studies employ different operational definitions of inequality: Beer uses the top 10% and the top 20% share of total income to measure inequality, whereas Bornschier utilizes the more common Gini index.

and, unlike their Asian counterparts, Latin American elites cannot allow further increases in inequality if they want to secure their privileges. Thus, although the high levels of inequality in Latin America are actually due to this region's long-lasting dependence on foreign direct investment, the marginal impact of further increases in TNC presence is negligible.

Beer (1999) who analyzes a sample of 66 countries and focuses on observations around 1985 comes to somewhat different conclusions. Her analyses again fully support the assumptions of the pessimistic position. Just like the studies on the late 1970s, Beer finds a significant positive (i.e., "harmful") relation between the degree of TNC presence and inequality. Notably, the effect does not disappear when geographical dummies are included in the equation: although the coefficient dwindles, it still turns out to be more than twice as large as its standard error, i.e. statistically significant. Thus, taken together, the two recent analyses of Tsai and Beer reveal a mixed picture. According to Tsai, the harmful effects of TNC presence are restricted to East and Southeast Asia, whereas Beer finds a more general relation that is valid for most of the countries covered by her sample. However, it would seem rather pointless to try and trace back these differences to their source, for all analyses we have discussed to this point—including the old studies covering the late 1960s—entirely neglect the problem of reverse causation, which makes it impossible to draw clear-cut conclusions. As long as TNC presence and inequality are measured simultaneously, any correlation or regression coefficient found can be interpreted in two ways. Whilst the findings discussed to this point support the pessimistic hypothesis that TNCs create inequality, so too can it be argued that unequal societies *attract* TNCs, since only those societies provide cheap labor as well as sizeable elites with sufficient purchasing power to buy TNC products.

So far the only studies that avoid the problem of reverse causation are the analyses of Beer and Boswell (2002) as well as Kentor (2001). In their second model to explain top quintile income concentration around 1995, Beer and Boswell (2002) include a measure of inequality as from about 1980 as an instrument. Consequently, the other independent variables, including TNC presence, are now bound to predict *changes* in inequality, and the direction of causality is set. The effect of introducing earlier income concentration as an instrumental predictor is impressive. In fact, almost all previously significant predictors lose their significance in this "dynamic" version of the model. To some extent this is true for TNC presence as well. We can thus conclude that the strong relation between TNC presence and income concentration found by Beer (1999) and many others is influenced by the fact that TNCs tend to build up their foreign affiliates in unequal societies rather than elsewhere. When controlling

for this reverse relation, the estimated impact of TNC presence on (changes in) inequality becomes much weaker. Yet, the statistical relation remains positive and significant, and it still supports the pessimistic position. Accordingly, Beer and Boswell (2002: abstract) conclude “that dependence on foreign investment as a development strategy, especially compared to domestic and human capital investment, may be misguided for nations concerned with equality.” Kentor (2001), who analyzes the effect of TNC presence on income inequality changes within a complex system of structural equations, clearly supports this finding. He finds that “[f]oreign investment dependence in 1980 has a significant positive effect on growth of income inequality 1980–90” (ibid.: 450).

However, it should be noted that the effect of TNC presence on inequality shows a relatively great standard error in both analyses. In Beer and Boswell (1999), for instance, the regression slope of TNC presence is significant only at the 10% level (in one-tailed tests). In Kentor (2001), the critical ratio for the corresponding effect is well below 2.0. Unfortunately, there is no straightforward interpretation of this. Whilst it can be argued that the pessimistic case is rather weak, so too can one think of alternative explanations for these “inflated” standard errors. First, the relatively large error could be due to the data problems and measurement errors discussed in section 3. Second, following Tsai, one could argue that the results of Beer and Boswell are influenced by Tsai’s “socially tolerable ceiling for inequality.” Yet another interpretation could refer to the skeptical position: perhaps a number of “intelligent” states have successfully prevented inequality from rising in spite of a strong TNC presence.

### Economic Growth

What are the effects of TNC presence on economic growth? Empirical work on these effects in the 1960s and 1970s is discussed by Bornschier and Chase-Dunn (1985: chapters 5–7), who also present extended and improved re-estimations. As mentioned in the introduction to the present paper, all results for this early time period indicate that the level of TNC presence has a significant negative impact on GDP per capita growth. This implies underdevelopment, since the potential for catching-up in the world system remains unexploited. However, the net effect of TNC activities is not necessarily negative right from the beginning. Some of the early studies show that the convergence-reducing impact of TNC presence can be offset as long as the foreign firms keep on investing.

Bornschier (1980), for instance, finds a negative effect of TNC presence in 1967 (as measured by the number of foreign affiliates) on income per capita growth 1965–75, but a positive effect for fresh TNC investment (i.e. FDI inflows) from 1967 to 1973. Both coefficients are highly significant. However, the problem for late development is that TNC presence and subsequent TNC investment

do not go hand in hand. In the late 1960s their correlation is positive but low ( $r=.32$  in Bornschier 1980), whereas in the 1980s it turns out to be significantly negative (Herkenrath 1999). That is, at low levels of TNC presence, fresh foreign investment tends to be substantive, and host country growth benefits from the activities of TNCs. With increasing TNC presence, though, foreign investment slows down. Eventually, the growth-enhancing effect of fresh investment is overshadowed by the disadvantageous structural impact of TNC presence, and the net effect becomes negative. The conclusion from these early studies is that, *per saldo* and in the long run, TNCs do not add to national economic growth and worldwide convergence.

Some years later, Dixon and Boswell (1996a, b) reveal additional evidence in favor of the pessimistic position. Re-analyzing the data collected by Bornschier and Chase-Dunn (1985), they first introduce some changes in the research design in order to settle Firebaugh’s criticisms of earlier specifications (Firebaugh 1992). In spite of these changes, Dixon and Boswell (1996a) again find a negative coefficient for TNC presence as well as a positive investment effect. In a subsequent study (ibid. 1996b), they also consider the interaction of TNC presence and domestic investment (see hypotheses H1.3 and H2.3 in the present paper), finding strong support for the pessimistic contention that the presence of TNCs hampers the income-generating capacity of domestic investment.

Finally, we need to mention the interesting findings of Kentor (1998) who relates accumulated stocks of foreign capital in 1938 (divided by gross domestic product) to subsequent income growth. The analysis reveals that TNC presence in 1938 has a short-term (five-year) positive effect, which is followed by a 20-year lagged negative effect beginning in 1960. This negative effect on economic growth lasts at least 30 years. Kentor’s unique study thus reveals astonishing long lasting effects that are well in line with our interpretation of the findings presented above.<sup>10</sup>

To sum up, almost all studies discussed so far reveal a negative effect from TNC presence on economic growth that is only partially offset by the positive impact of subsequent investment. The problem with these studies is that they

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<sup>10</sup> Since Kentor (1998) does not control for fresh TNC investment, the interpretation of his findings is difficult. Most countries with a marked TNC presence already in the 1930s received considerably less new FDI in subsequent years than more independent countries. Thus, the dissatisfying economic development of these countries emphasized in Kentor’s study can be attributed either to the high levels of TNC presence in the past or to the absence of fresh FDI inflows later on.

are not representative of the present time, since they draw upon data from 1938 (Kentor 1998), the late 1960s and the early 1970s (all others). The question as to how TNCs influence world development in the contemporary era of increased economic integration remains unanswered. There are but three studies that analyze more recent data material, namely Kentor (2001), de Soysa and Oneal (1999), and Herkenrath (1999). While Kentor (2001) still finds a negative effect of foreign capital dependence in 1980 on growth in 1990–97, the other two studies come to results that differ quite notably from previous findings.

De Soysa and Oneal (1999) who examine data for 1980–90 are unable to reveal a significant effect of TNC presence on the rate of economic growth, whereas fresh TNC investment still appears to exert a positive impact. Accordingly, the authors conclude their research with a very optimistic outlook, and claim that “[d]eveloping countries need not fear that the presence of foreign multinational corporations tends to retard or distort development” (ibid.: 778). During the recent upswing of global economic integration, it is argued, TNC activities have somehow become harmless. At the same time, Herkenrath (1999) finds neither a presence effect nor an investment effect. In addition, Herkenrath also fails to find the conditional effect discovered by Dixon and Boswell (1996b).

However, both studies suffer from serious shortcomings. While Herkenrath’s findings represent a very small sample of only 46 countries, de Soysa and Oneal analyze a sufficiently large number of cases but fail to take into account Dixon and Boswell’s innovative interaction model. Besides, both studies pay very little attention to the data problems outlined in section 3.<sup>11</sup> Therefore, recent research does not provide a trustworthy answer on whether the consequences of TNC activities in the 1980s actually do differ from the consequences found in the late 1960s. Hence, we clearly need further tests. So far we can only conclude that to date it has never been possible to establish evidence in favor of the conventional

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<sup>11</sup> Given the measurement problems mentioned in section 3, the predictor PEN does not actually represent an interval-scaled variable and, thus, violates one of the central requirements of multiple regression analysis. Even the rank order of measurements may be disturbed. Yet, unfortunately, it is completely unclear as to how the error may have influenced the results. This is because at least two predictors, namely “foreign capital penetration” and “foreign investment flows,” are affected. While measurement errors usually bias the results of analytical procedures in favor of the null hypothesis, the present case may well be different: “when there are several badly measured variables, or the errors depart from classical assumptions, then biases may go in either direction” (Temple 1999: 130).

position (H1.2), i.e., TNC presence has never shown a positive effect on economic growth.

## NEW FINDINGS AND THEIR INTERPRETATION

In our own analyses we try to replicate the previous studies on the 1980s and, at the same time, to overcome their weaknesses. Thus, we investigate a much larger sample than Herkenrath (1999)—namely 84 cases, including a sub-sample of 63 less developed countries—and also test for the conditional model that has been neglected by de Soysa and Oneal (1999). All analyses are carried out with data for 1980–90 as well as 1985–95 in order to enable direct comparisons with the two other studies that use contemporary data.

The dependent variable in all our calculations is the growth rate of gross domestic product (GDP) per capita, which is measured by the difference of the log-values for the first and the last year of the period under study.<sup>12</sup> The predictors are: the initial level of development (as measured by GDP per capita in PPP-corrected prices), domestic investment rate (operationalized by the growth rate of the total stock of real capital), average trade rate (imports plus exports as a percentage of GDP), absolute size of the economy (indicator: average level of GDP in absolute terms), and human capital (indicator: secondary school enrollment ten years before the period under study). Additionally, we also include the foreign investment rate (as measured by the growth rate of the FDI inward stock), which is supposed to represent the presumed positive impact of fresh TNC investment. Detailed information on the construction of the variables as well as the data sources are presented in the Appendix.

The long-term effects of TNC presence are captured by the variable *TNC dummy*, which is based on the ratio between the inward FDI stock and the total stock of (real) capital. This ratio is used to split the sample into two equal groups of countries by using the median as a threshold. Countries with values above the median are given the value “1” for the TNC dummy, whereas countries with levels below the median are coded “0.” By creating this dummy variable we try to cope with the measurement errors in UNCTAD’s data mentioned in section 3. The

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<sup>12</sup> We also performed our analyses using percentage increases of GDP per capita as measures of economic growth ( $y = [\text{GDPc}_{1990} - \text{GDPc}_{1980}] / \text{GDPc}_{1980} * 100$  and  $y = [\text{GDPc}_{1995} - \text{GDPc}_{1985}] / \text{GDPc}_{1985} * 100$ ). The results are almost identical to the results presented above. This is not surprising, however, since the two indicators of economic growth are highly correlated (Pearson’s  $r = .987$  for the period 1980–90 in the total sample).

procedure draws upon Scheuch's recommendation to recode faulty measures onto lower scale levels and to summarize the data in categories greater than the presumed measurement error (Scheuch 1966: 140).<sup>13</sup>

The results reported in table 1 refer to the direct effect of TNC presence on economic growth predicted in hypotheses H1.2 and H2.2. The first thing worth noting is the equations' great explanatory power.<sup>14</sup> Adjusted R-squares range from 0.71 to 0.75, indicating that more than two-thirds of the observed variance in GDP per capita growth can be explained by the predictors we included.<sup>15</sup> Except for the TNC-related variables FIR and DUMMY all predictors turn out to have significant, and sometimes substantial, effects on the dependent variable. The results clearly confirm the assumptions of standard economic theory. The regressions of growth on domestic investment as well as on trade openness both show the presumed positive slopes, while the significant positive coefficient for

<sup>13</sup> "[T]he intervals for grouped data (or when grouping them) and the threshold of sensitivity for a measure should be just greater than the possible errors in the data. [...] If there is any reason to suspect error, one should sacrifice some information and settle for a rougher measure" (Scheuch 1966: 140).

<sup>14</sup> The usual battery of diagnostic tests was examined to make sure that the results in this article were not unduly influenced by outlier values, influential cases, and excessive collinearities (VIFs are reported in each table). Regarding the coefficients reported in table 1, centered leverage values and standardized df-betas revealed the existence of several influential cases. We removed these cases from the respective samples and re-ran the models (n=78 for model 1, n=57 for model 2, n=76 for model 3, and n=55 for model 4). The results, however, showed no substantial deviations from the results reported above.

<sup>15</sup> The Variance Inflation Factors (VIFs) in some of our equations are higher than many statisticians would like. Normally a VIF of 2.5 or above indicates a possible problem of multicollinearity that may be distorting the regression estimates (Allison 1999). However, in the cases at hand the independent variables are not highly correlated with one another and the regression estimates seem to be within ranges that can be considered reasonable on theoretical and methodological grounds. It should also be noted that the highest VIFs are related to the inclusion of the variable SEC. When we re-run the models in tables 1 and A-2 without this predictor, all VIFs turn out to be well below 2.5. Yet, excluding SEC does not change the results for our measures of TNC penetration at all. In the conditional models reported in tables 2 and 3, the situation is very similar: when excluding SEC, there are no VIFs at 2.5 or above except for the interaction terms and their components. The latter finding is not surprising, though, since the use of interaction terms is always associated with some (moderate) multicollinearity.

**Table 1 – Dependent Variable: GDP per capita growth; OLS regressions**

	1980–90		1985–95	
	(1)	(2)	(3)	(4)
Initial Level of Development (DEV) GDP/capita 1980 and 1985 (PPP-values).....	b = -.03** β = -.29 (t = -3.7) [VIF = 1.7]	-.00** -.36 (-3.9) [2.5]	-.02** -.22 (-2.7) [1.8]	-.00 -.06 (-.6) [2.5]
Domestic investment rate (DIR) Growth of total capital stock.....	.31** .54 (8.4) [1.2]	.28** .51 (6.5) [1.4]	.42** .68 (10.1) [1.3]	.43** .70 (9.5) [1.4]
Openness (OPEN) Average trade ratio.....	.00** .42 (6.0) [1.4]	.00** .48 (5.5) [1.7]	.00** .27 (3.5) [1.6]	.00* .19 (2.2) [2.0]
Size of the economy (SIZE) Average GDP 1980, 85, 90 and 1985, 90, 95.....	.03** .25 (2.7) [2.5]	.07** .52 (5.1) [2.3]	.02† .18 (1.8) [2.9]	.05** .31 (3.1) [2.5]
Human capital (SEC) Secondary school enrollment rate 1970 and 1975.....	.00** .29 (3.0) [2.8]	.00† .17 (1.8) [1.9]	.00* .25 (2.3) [3.2]	.00† .15 (1.7) [2.0]
Foreign investment rate (FIR) Growth of foreign capital stock.....	.03 .09 (1.3) [1.5]	.04 .12 (1.5) [1.5]	-.03 -.10 (-1.4) [1.5]	-.02 -.06 (-.7) [1.6]
TNC dummy (DUMMY) TNC penetration in 1980 and 1985.....	-.01 -.04 (-.6) [1.2]	-.01 -.02 (-.3) [1.3]	-.01 -.00 (-.1) [1.4]	.01 .05 (.6) [1.4]
Constant.....	-.38** (t = -4.0)	-.81** (-5.7)	-.29** (-2.5)	-.56** (-3.4)
R <sup>2</sup> adjusted.....	.71	.72	.71	.75
Number of Cases.....	84	63 (LDCs)	84	63 (LDCs)

\*\* p<0.01, \* p<0.05, † p<=0.1 (two-tailed tests)

market size nicely illustrates the existence of growth-enhancing scale effects. We also find a significant positive effect for human capital.

In the period 1980–90 (cols. 1 and 2) we observe a marked convergence effect, which indicates that less developed economies tend to grow substantially faster than others do (*ceteris paribus*). This result, however, is not robust. In the second period (1985–95), the negative regression of GDP per capita growth on the initial level of development is significantly different from zero only in the total sample of 84 countries (col. 3). In the sub-sample of 63 less developed countries (col. 4),

from which the highly industrialized benchmark countries were removed, the effect “disappears.” The world’s poorest countries do not seem to benefit from a greater growth potential than countries on a medium level of development. It should be noted, though, that this finding does not come totally unexpected. Dixon and Boswell (1996a, 1996b) as well as Firebaugh (1992) discover no convergence effect within their samples either.<sup>16</sup>

Concerning the variable “foreign investment rate” (FIR), our results require further explanation. At first glance, the insignificant coefficients for FIR seem to suggest that fresh TNC investment (as measured by FDI inward stock growth rates) has no effect on GDP per capita growth whatsoever. This impression, however, is misleading. It should be noted that our models also control for total domestic investment, and that this measure already includes investment by TNC affiliates. Due to this restrictive condition, our foreign investment rate represents the *marginal* contribution of TNC investment. i.e., FIR simply measures whether foreign-controlled investment contributes relatively more to economic growth than total investment does (Borensztein et al. 1995). Yet, as indicated by our results, there is no such effect. Unlike most other studies on the subject, but in accordance with the results of Herkenrath (1999), we can thus conclude that TNC investment does not outperform investment by local entrepreneurs when it comes to encouraging economic progress.

As regards the effect of TNC presence, the results in table 1 are straightforward. Introducing our dichotomous TNC dummy does not improve the explanatory power of the test models at all, and in neither period nor sample is it a significant predictor of economic growth. While contradicting all empirical results for the late 1960s, this result clearly confirms the findings of most contemporary studies. Using a dummy variable instead of measuring TNC presence on higher scale-level seems to make no difference. We are as unable to detect a systematic linear and unconditional effect from TNC presence on national development as de Soysa and Oneal (1999) or Herkenrath (1999) are. Our results thus confirm the conclusion that, for the 1980s and early 1990s, the hypothesis H1.2 of the conventional position as well as H2.2 of the pessimistic position need to be rejected. Yet, contrary to de Soysa and Oneal (1999), we do not conclude that contemporary TNCs are harmless and of no relevance for their host countries. This interpretation would be premature, since there are alternative interpreta-

<sup>16</sup> Bornschier and Chase-Dunn (1985: table 5) reveal a statistically significant late developer’s advantage only when including core nations in their analysis.

**Table 1b – Results for alternative measures of TNC penetration in equations (1)–(4) of Table 1**

	1980–90		1985–95	
	(1)	(2)	(3)	(4)
PEN				
TNC presence 1980 and 1985, actual FDI stock .....	b= -.00	-.00	.00	.00
	β= -.04	-.04	.02	.07
	(t= -.6)	(-.4)	(.2)	(.9)
	[VIF= 1.5]	[1.6]	[1.5]	[1.5]
PEN 5				
TNC presence, five categories .....	-.00	-.00	.00	.01
	-.02	-.03	.03	.07
	(-.4)	(-.3)	(.4)	(1.0)
	[1.4]	[1.5]	[1.4]	[1.4]
PEN 3				
TNC presence, three categories .....	-.00	-.00	.01	.02
	-.00	-.00	.04	.09
	(-.0)	(-.0)	(.6)	(1.2)
	[1.4]	[1.4]	[1.3]	[1.3]
PEN 2				
TNC presence, dichotomous measure (mean split) .....	-.00	-.00	.01	.02
	-.01	-.00	.03	.06
	(-.1)	(-.0)	(.4)	(.8)
	[1.3]	[1.4]	[1.3]	[1.4]
Number of Cases.....	84	63 (LDCs)	84	63 (LDCs)

\*\*  $p < 0.01$ , \*  $p < 0.05$ , †  $p < 0.1$  (two-tailed tests)

tions of equal, or even greater, plausibility. It should be noted, for instance, that the present findings are also in perfect accordance with the skeptical position’s claim that dependence on TNC presence still tends to have unfavorable effects, except in those (few) countries where the activities of foreign firms are regulated by adequate policies.

We must concede, however, that our decision to use a dichotomous measure of TNC presence in the above analyses is not entirely unproblematic. While the transformation of the actual FDI data into a dummy variable drastically reduces the effects of measurement error, it also minimizes all “sound” information the original measure may have contained. Thus, to put it in the words of an anonymous reviewer, “the cure may have killed the cat.” To address this problem, we reestimate the models from table 1 with several alternative specifications of TNC presence. The results for these alternative measures are shown in table 1b (due to space constraints, we only report the coefficients for our TNC measures—all other numbers, including adjusted R-squares and constants, are basically the same as in table 1).

In the first row, TNC presence is represented by the continuous variable PEN. Its name, PEN, stands for “TNC penetration,” and the variable directly draws upon the actual data on FDI stocks presented in the United Nations’

World Investment Report (UNCTAD 1995; see Appendix for details on the construction of PEN). In the second row, we transform PEN into an ordinal variable with five categories of equal width (PEN5), whereas row 3 introduces a variable with *three* categories (PEN3). In row 4, PEN is finally transformed into a dichotomous measure by using the variable's mean (instead of the median) as a threshold. Countries with PEN values above this threshold are coded "1," whereas countries exhibiting PEN values below the variable's mean are coded "0" (PEN2). Yet, the results in table 1b reveal no surprise whatsoever. None of the various measures of TNC presence show a significant effect on GDP per capita growth, irrespective of what period and what sample of countries we analyze.<sup>17</sup>

In table 2, we investigate the validity of the hypotheses H1.3 and H2.3, which claim that the presence of foreign TNCs shapes, in one way or another, the growth-spurring effect of domestic investment. The results mainly re-confirm the existence of the growth-adverse conditional effect discovered by Dixon and Boswell (1996b), since the corresponding slope dummy, the interaction term "TNC dummy \* domestic investment rate," reveals a significant negative coefficient. Thus, the conventional assumption H1.3 has to be rejected. Although TNC affiliates may bring modern and efficient Western technologies into their host countries, we find absolutely no evidence of total domestic investment being more productive in those contexts where TNCs hold a dominant position. The contrary is the case: in countries with a more pronounced presence of foreign firms, local investment appears to contribute relatively less to economic growth than elsewhere.<sup>18</sup> This result stands for two phenomena: On the one hand, we can conclude that foreign firms tend to supplant local firms in the more profitable branches of the economy and push them into those sectors where private and social returns on investment are lower. On the other hand, our findings show that many developing countries tend to promote the presence of foreign firms by offering them attractive production sites with high-quality infrastructure while neglecting the domestic sector. In these cases, domestic firms often lack the basic conditions for a frictionless production and, thus, yield below average.

<sup>17</sup> While diagnostic tests discover the existence of several influential cases, excluding these cases does not lead to significant changes. The only difference is that the variable PEN then shows a significant negative effect in model 1. The effect, however, falls well short of statistical significance in the LDC-sample (model 2) and both equations for the years 1985-95 (models 3 and 4).

<sup>18</sup> It should be noted, however, that the observed interaction effect is not robust. In Herkenrath's analyses of the period 1985-93, for instance, the effect turns out to be statistically insignificant (Herkenrath forthcoming).

**Table 2 – Dependent Variable: GDP per capita growth; OLS regressions**

	1980-90		1985-95	
	(1)	(2)	(3)	(4)
Initial Level of Development (DEV)				
GDP/capita 1980 and 1985 (PPP-values).....	b = -.03**	-.00**	-.03**	-.00
	β = -.27	-.30	-.23	-.09
	(t = -3.6)	(-3.2)	(-3.0)	(-.9)
	[VIF = 1.8]	[2.2]	[1.8]	[2.5]
Domestic investment rate (DIR)				
Growth of total capital stock.....	.45**	.41**	.52**	.52**
	.79	.77	.84	.86
	(8.2)	(6.4)	(9.4)	(8.7)
	[3.1]	[3.5]	[2.5]	[2.6]
Openness (OPEN)				
Average trade ratio.....	.00**	.00**	.00**	.00*
	.40	.45	.29	.22
	(6.1)	(5.4)	(3.9)	(2.5)
	[1.4]	[1.7]	[1.7]	[2.0]
Size of the economy (SIZE)				
Average GDP 1980, 85, 90 and 1985, 90, 95.....	.03**	.07**	.02†	.05**
	.28	.51	.17	.32
	(2.8)	(5.4)	(1.8)	(3.3)
	[2.5]	[2.2]	[2.9]	[2.5]
Human capital (SEC)				
Secondary school enrollment rate 1970 and 1975.....	.00**	.00*	.00*	.00*
	.30	.18	.28	.19
	(3.2)	(2.2)	(2.7)	(2.1)
	[2.8]	[1.7]	[3.3]	[2.0]
Foreign investment rate (FIR)				
Growth of foreign capital stock.....	.02	.04	-.04†	-.02
	.08	.11	-.13	-.08
	(1.2)	(1.4)	(-1.9)	(-1.0)
	[1.5]	[1.5]	[1.6]	[1.6]
TNC dummy (DUMMY)				
TNC penetration in 1980 and 1985.....	.01	.01	.01	.02
	-.05	.06	.06	.10
	(-.7)	(.7)	(.8)	(1.3)
	[1.4]	[1.5]	[1.6]	[1.6]
TNC dummy * domestic investment rate.....	-.22**	-.20**	-.19*	-.18*
	-.31	-.30	-.23	-.21
	(-3.3)	(-2.7)	(-2.6)	(-2.2)
	[2.9]	[3.0]	[2.3]	[2.4]
Constant.....	-.41**	-.82**	-.29**	-.59**
	(t = -4.6)	(-6.2)	(-2.6)	(-3.7)
R <sup>2</sup> adjusted.....	.75	.75	.74	.77
Number of Cases.....	84	63 (LDCs)	84	63 (LDCs)

\*\*  $p < 0.01$ , \*  $p < 0.05$ , †  $p < 0.1$  (two-tailed tests)

The explanatory power of this conditional relation is by no means negligible. As compared to the models for 1980-90 in table 1, the adjusted R-squares increase by 4 percentage points for the total sample and 3 percentage points for the LDC-sample when the slope dummy is included. (Note that the latter increase in the explained variance corresponds very nicely with the results of Dixon and Boswell for the late 1960s and early 1970s; see Dixon and Boswell 1996a: table 1, and 1996b: table 1).

Table 3 – Dependent Variable: GDP per capita growth; OLS regressions

	1980–90		1985–95	
	(1)	(2)	(3)	(4)
Initial Level of Development (DEV)				
GDP/capita 1980 and 1985 (PPP-values).....	b = -.02*	-.00**	-.02*	-.00
	$\beta = -.24$	-.40	-.21	-.13
	(t = -2.5)	(-3.3)	(-2.4)	(-1.2)
	[VIF = 2.7]	[3.2]	[2.2]	[3.3]
Domestic investment rate (DIR)				
Growth of total capital stock.....	.31**	.27**	.42**	.43**
	.26	.50	.68	.71
	(8.5)	(6.3)	(10.0)	(9.6)
	[1.2]	[1.4]	[1.3]	[1.4]
Openness (OPEN)				
Average trade ratio.....	.00**	.00**	.00**	.00*
	.42	.49	.27	.19
	(5.9)	(5.6)	(3.5)	(2.1)
	[1.4]	[1.7]	[1.7]	[2.0]
Size of the economy (SIZE)				
Average GDP 1980, 85, 90 and 1985, 90, 95.....	.03**	.08**	.02†	.05**
	.26	.54	.18	.31
	(2.8)	(5.3)	(1.8)	(3.1)
	[2.5]	[2.3]	[2.9]	[2.5]
Human capital (SEC)				
Secondary school enrollment rate 1970 and 1975.....	.00**	.00†	.00*	.00†
	.28	.15	.25	.16
	(2.9)	(1.8)	(2.3)	(1.8)
	[2.8]	[1.7]	[3.3]	[2.0]
Foreign investment rate (FIR)				
Growth of foreign capital stock.....	.02	.04	-.03	-.02
	.09	.12	-.10	-.06
	(1.2)	(1.4)	(-1.4)	(-.7)
	[1.5]	[1.5]	[1.5]	[1.6]
TNC dummy (DUMMY)				
TNC penetration in 1980 and 1985.....	-.01	-.02	-.01	-.01
	-.04	-.09	-.00	-.06
	(-.6)	(-.8)	(-.0)	(-.5)
	[1.2]	[2.9]	[1.4]	[2.8]
TNC dummy * initial level of development.....	-.01	.00	-.00	.00
	-.07	.09	-.01	.15
	(-.9)	(.8)	(-.1)	(1.4)
	[1.8]	[3.2]	[1.6]	[3.1]
Constant.....	-.39**	-.84**	-.29**	-.54**
	(t = -4.1)	(-5.9)	(-2.5)	(-3.4)
R <sup>2</sup> adjusted.....	.71	.72	.71	.75
Number of Cases.....	84	63 (LDCs)	84	63 (LDCs)

\*\* p<0.01, \* p<0.05, † p<=0.1 (two-tailed tests)

Table 3 addresses the hypotheses H1.4 and H2.4. We analyze whether TNC presence produces a particularly positive, or negative, effect in the poorest and most backward countries. It could be argued that the additive models of table 1 do not reveal any significant TNC effects simply because these effects vary in accordance with the level of development. Yet, table 3 shows that there are no such conditional relations at work. The corresponding slope dummy, the

interaction term “TNC dummy \* level of development,” is never a significant predictor in our models. Thus, the conventional assumption of accelerated convergence—TNCs are supposed to produce particularly positive effects in the least developed countries—cannot be upheld. Yet the same is true for the pessimistic claim that TNCs tend to produce their worst consequences in the world’s most backward economies.

## CONCLUSIONS AND DISCUSSION

Regarding income inequality as the dependent variable, all empirical studies included in our survey indicate that there is a notable and statistically significant positive (i.e., “harmful”) relationship with TNC presence. It can be shown that, *ceteris paribus*, countries with high levels of dependence on foreign transnationals suffer from comparatively high levels of income concentration. To some extent, this relation seems to be influenced by the fact that TNCs preferably invest in unequal countries with relatively abundant cheap labor and wealthy elites. Yet, several studies show that the positive regression slope is still valid when the effect of reverse causation is controlled for (Beer and Boswell 2002; Kentor 2001). We can therefore conclude that the activities of TNC affiliates indeed tend to augment income inequality and “may in fact benefit elite segments of the population over others” (Beer and Boswell 2002: 52). This finding supports the expectations of the pessimistic position proposed by many *dependencia* and world-system theorists. It is important to note, however, that the corresponding regression coefficients show relatively large standard errors. One could thus argue that the studies we surveyed rather support the skeptical approach towards TNCs than the pessimistic position. Possibly, the presence of foreign transnationals leads to an increase in income concentration only under a *laissez faire* regime, whereas in the (fewer) countries with apt and development-oriented bureaucracies this tendency is offset by adequate political measures.

Although many advocates of corporate globalization contend that high TNC-induced inequality may be the price for accelerated economic development, the present analyses of data on the 1980s and the 1990s reveal no statistically significant effect from TNC presence on GDP per capita growth. Contrary to the predictions of standard economic theory, TNC affiliates do *not* systematically spur economic progress within their host countries. Nor do the activities of TNCs contribute to faster convergence of national incomes on a global level. In other words, TNCs are by no means “automatic” and systematic catalysts of socio-economic development, and the corresponding premises and principles underlying the Washington Consensus turn out to be mistaken. Although praised again and again by the most powerful organizations in the contempo-

rary world system, unconditional openness towards TNC investment is not an appropriate remedy for underdevelopment. Governments in the South and everywhere should refrain from trying to attract TNC investment *à tout prix*. As indicated by our additional tests with interactive equations, tax incentives for foreign investors and other TNC-friendly policies probably just diminish the important growth-generating capacity of the (neglected) local sector.

Then again, our findings not only contradict the optimistic view on TNCs proposed by standard economic theory. Concerning growth as the dependent variable, our results are at odds with the pessimistic position as well. We find no empirical support for the assumption that economic growth in developing countries is directly and systematically hampered by the presence of foreign-owned firms. In this respect, our contemporary results differ substantially from the findings for the late 1960s and the 1970s. The earlier results, which unequivocally supported a critical and pessimistic view on TNCs' activities, cannot be replicated. The negative effect of TNC presence on the growth-generating capacity of domestic investment discovered earlier by Dixon and Boswell (1996b) has remained, but the generally negative impact on growth and convergence seems to have weakened.

This withering away of a previously strong statistical effect leads us to a further question. How come a relation not significantly different from zero supplanted the negative growth effect of TNC presence found in the 1960s and 1970s? Following de Soysa and O Neal (1999), it could be argued that TNCs *per se* have become harmless for economic growth. This interpretation does not seem overly convincing, though. Neither the will of foreign transnationals to generate maximum economic profits, nor their ability to rationally pursue this aim, have been subject to fundamental changes. In our opinion, the recent results and the fact that they differ from older findings should be interpreted in the light of the skeptical position presented in section 2. We contend that a significant number of developing country governments implemented "smart" regulations on foreign firms, which now prevent TNC activities from displaying their potentially negative impact on socio-economic development in each and every situation.<sup>19</sup> Yet, two points deserve to be mentioned. First, it should be clear that this state-oriented interpretation of our findings is rather tentative and requires further exploration.

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<sup>19</sup> This presumed increase in the number of governments pursuing adequate measures of dependency management may seem somewhat surprising, given that political pressures forcing national governments to deregulate and liberalize TNC investment became

We clearly need more knowledge on the specific possibilities, and limitations, of host country governments to convert the activities of foreign-controlled firms into equitable growth. This knowledge can only be gathered in detailed case studies and "small-N comparisons," which eventually result in policy variables to be used in future cross-national tests. Second, it should be pointed out that our analyses focus on medium-term effects, i.e., the consequences of TNC presence within a 10-year growth period. The absence of such medium-term growth effects for the 1980s and early 1990s does not preclude the existence of long-term effects as discovered by Kentor (1998, 2001). To disentangle these medium-term and long-term effects is thus an important task at the top of the research agenda. It can be accomplished by simultaneous consideration of past and present TNC activities in one empirical model.

Another interesting task for future research will be to theorize and investigate sector-specific differences. This becomes more and more critical, since TNCs from the service sector are nowadays playing a much more important role than two or three decades ago. Even in developing nations, TNC presence can no longer be equated with extractive activities or with industrial production for the host country's internal market. There are "new" types of TNC activities to be accounted for. Assuming that these new activities are more beneficial than the activities of traditional TNCs, this could serve as an additional explanation for the fact that our new results differ from older findings. Unfortunately, as mentioned in section 3, sectoral FDI data is very rare and thus unsuitable for broad cross-national studies.

Finally, we need to go on studying not only TNCs but also other factors that influence growth and income distribution. Only then can we disentangle the diverse sources of success and failure in overcoming the burden of underdevelopment. The better we can isolate TNC-related factors, the better our case for making TNCs accountable.

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much stronger. It would indeed be naïve to claim that the political opportunities for FDI-regulating measures and other forms of dependency management could have grown. It can be argued, however, that more and more governments learned to use the existing (or even diminishing) scope for action to their countries' maximum benefit, probably by copying to some extent the FDI policies of the successful late-developers Japan, Korea and Taiwan.

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## APPENDIX

### Sample<sup>20</sup>

The sample contains the following 84 cases (\*included in the sub-sample of 63 developing countries): Algeria\*, Argentina\*, Australia, Austria, Bangladesh\*, Belgium, Benin\*, Brazil\*, Burkina Faso\*, Burundi\*, Cameroon\*, Canada, Central African Republic\*, Chile\*, Colombia\*, Republic of Congo\*, Costa Rica\*, Cote d'Ivoire\*, Denmark, Dominican Republic\*, Ecuador\*, Egypt\*, El Salvador\*, Finland, France, Gabon\*, The Gambia\*, Ghana\*, Greece, Guatemala\*, Haiti\*, Honduras\*, Hong Kong\*, Hungary\*, Iceland, India\*, Indonesia\*, Ireland, Israel\*, Italy, Jamaica\*, Japan, Kenya\*, Republic of Korea\*, Lesotho\*, Madagascar\*, Malawi\*, Malaysia\*, Mali\*, Mauritius\*, Mexico\*, Morocco\*, Nepal\*, Netherlands, New Zealand, Nicaragua\*, Niger\*, Nigeria\*, Norway, Pakistan\*, Papua New Guinea\*, Paraguay\*, Peru\*, Philippines\*, Portugal, Rwanda\*, Senegal\*, Singapore\*, South Africa\*, Spain, Sri Lanka\*, Swaziland\*, Sweden, Switzerland, Thailand\*, Togo\*, Trinidad and Tobago\*, Tunisia\*, United Kingdom, United States of America, Uruguay\*, Venezuela\*, Zambia\*, Zimbabwe\*.

### Variables

#### *GDP per capita growth (GROWTH)*

Growth rate of Gross Domestic Product per capita (GDPc) 1980–90 and 1985–95;

20. In an early draft version of this paper, which we presented at the XV<sup>th</sup> ISA World Congress in Brisbane (Australia), three cases (Nepal, Papua New Guinea, and Paraguay) were erroneously excluded from the sub-sample of developing countries. The results, however, were very similar to the results presented here.

$$x = \lg 10(\text{GDPc}_t) - \lg 10(\text{GDPc}_{t-1}).$$

Source: World Bank (1999) for GDP figures in constant prices of 1995 and for total population.

GDP per capita growth 1985–95: the original value for Zambia constituted an outlier; it was thus recoded according to the procedure proposed by Bornschier and Heintz (1979: 128).

#### *Initial level of Development (DEV)*

PPP-corrected GDP per capita 1980 and 1985.

Source: *ibid.*

While GDP per capita is logarithmically transformed in many cross-national studies (Dixon and Boswell 1996a, 1996b; Firebaugh 1992, 1996; Kentor 1998, 2001; and many others), this transformation is not needed here. Since we use PPP-corrected values, this variable neither exhibits an overly skewed distribution, nor does it contain any outliers. (To eliminate any doubts, we re-estimated all models in table 1 using GDP per capita in its logged form. The results are the same.)

It was necessary, however, to residualize this variable from total GDP (i.e., the variable SIZE) in all growth models for the total sample (n=84) to deal with problems of high multicollinearity (in the case of  $\text{GDPc}_{\text{PPP}80}$  and  $\text{SIZE}_{80/85/90}$ , for instance, Pearson's r is .73). We therefore regressed the actual GDP per capita data on SIZE (see below), and saved the residuals. Residualizing was not necessary in the models for the sub-sample of 63 LDCs, since DEV and SIZE show only modest correlations (see tables A–1b and A–1d).

#### *Domestic investment rate (DIR)*

Growth rate of total domestic capital stock (DS) 1980–90 and 1980–95;

$$x = \lg 10(\text{DS}_t) - \lg 10(\text{DS}_{t-1}).$$

Total domestic capital stocks are estimated by adding up gross domestic investment over a period of 10 years and taking account of an annual depreciation rate of 10%:

$$\text{DS}_t = \text{GDI}_{t-10} * 1/10 + \text{GDI}_{t-9} * 2/10 + \dots + \text{GDI}_{t-0} * 10/10$$

Source: *ibid.* for gross domestic investment rates (GDI/GDP) and GDP figures in constant prices of 1995.

#### *Size of the economy (SIZE)*

Average GDP 1980, 1985 and 1990, or 1985, 1990 and 1995 (logged values);

$$x = 1/3 * \lg 10(\text{GDP}_{1980}) + 1/3 * \lg 10(\text{GDP}_{1985}) + 1/3 * \lg 10(\text{GDP}_{1990}).$$

Source: *ibid.* for GDP figures in constant prices of 1995.

We use logged values to correct for the highly skewed distribution of the raw data. The logarithmic transformation also eliminated the various outliers in the total sample as well as in the sub-sample of developing countries.

#### Openness (OPEN)

Average trade ratio (T) 1980, 1985 and 1990 or 1985, 1990 and 1995;

$$x = 1/3 * T_{1980} + 1/3 * T_{1985} + 1/3 * T_{1990} \text{ or } x = 1/3 * T_{1985} + 1/3 * T_{1990} + 1/3 * T_{1995}$$

Source: *ibid.*

The values for two cases (Singapore and Hong Kong) were recoded.

#### Human capital (SEC)

Secondary school gross enrollment rate 1970 and 1975

$$x = \lg_{10}(\text{GDPc}_t) - \lg_{10}(\text{GDPc}_{t-1})$$

Source: *ibid.*

This indicator of human capital measures the total secondary school enrollment, regardless of the students' actual age, to the population of the age group corresponding to this level of education.

#### Foreign investment rate (FIR)

Growth rate of foreign capital stock (FS) 1980–90 and 1980–95;

$$x = \lg_{10}(\text{FS}_t) - \lg_{10}(\text{FS}_{t-1})$$

Sources: UNCTAD (1995) for  $\text{FS}_{1980}$  and  $\text{FS}_{1990}$ , UNCTAD (2000) for  $\text{FS}_{1995}$

Foreign investment 1985–95: the values of Hungary and Zimbabwe both constituted outliers and were thus recoded.

#### TNC presence (PEN)

Relative importance of TNCs in 1980 and 1985, as measured by the ratio of FDI inward stock and total domestic capital stock;

$$x = \text{FS}_t / \text{DS}_t * 100$$

Sources: see above.

TNC presence 1980: the values for Zimbabwe and Togo were recoded (although this is relevant only for the alternative tests reported in table 1b and has no influence on the construction of the TNC dummy).

TNC presence 1985: for three cases (Zimbabwe, Togo and Nigeria), the values were recoded.

#### TNC dummy (Dummy)

Dichotomous measure of TNC presence 1980 and 1985.

Cases are coded "0" on this variable, when their value on the variable "TNC presence" is below the median, otherwise they are given the value "1".

**Table A-1a – Bivariate Correlations (Pearson's r-coefficients) for n=84 DCs and LDCs, 1980–90**

	(2) DIR	(3) OPEN	(4) SIZE	(5) SEC	(6) FIR	(7) DUMMY
(1) Level of development (DEV)	-.10	.40	.00 <sup>§</sup>	.46	.11	.09
(2) Domestic investment rate (DIR)		.08	.03	-.02	.35	-.12
(3) Trade Openness (OPEN)			-.28	.09	.08	.17
(4) Size of the economy (SIZE)				.64	.33	-.23
(5) Human capital (SEC)					.29	-.15
(6) Foreign investment rate (FIR)						-.37

<sup>§</sup> The zero correlation is due to the residualizing procedure described above.

**Table A-1b – Bivariate Correlations (Pearson's r-coefficients) for n=63 LDCs, 1980–90**

	(2) DIR	(3) OPEN	(4) SIZE	(5) SEC	(6) FIR	(7) DUMMY
(1) Level of development (DEV)	-.18	.23	.53	.57	.11	-.08
(2) Domestic investment rate (DIR)		.12	-.01	-.05	.44	-.14
(3) Trade Openness (OPEN)			-.30	.17	.19	.17
(4) Size of the economy (SIZE)				.47	.11	-.24
(5) Human capital (SEC)					.11	-.16
(6) Foreign investment rate (FIR)						-.35

**Table A-1c – Bivariate Correlations (Pearson's r-coefficients) for n=84 DCs and LDCs, 1985–95**

	(2) DIR	(3) OPEN	(4) SIZE	(5) SEC	(6) FIR	(7) DUMMY
(1) Level of development (DEV)	-.14	.38	.00 <sup>§</sup>	.46	.00	.05
(2) Domestic investment rate (DIR)		.20	.18	.07	.38	-.15
(3) Trade Openness (OPEN)			-.25	.12	.22	.20
(4) Size of the economy (SIZE)				.67	.17	-.20
(5) Human capital (SEC)					.17	-.01
(6) Foreign investment rate (FIR)						-.40

<sup>§</sup> The zero correlation is due to the residualizing procedure described above.

**Table A-1d – Bivariate Correlations (Pearson's r-coefficients) for n=63 LDCs, 1985–95**

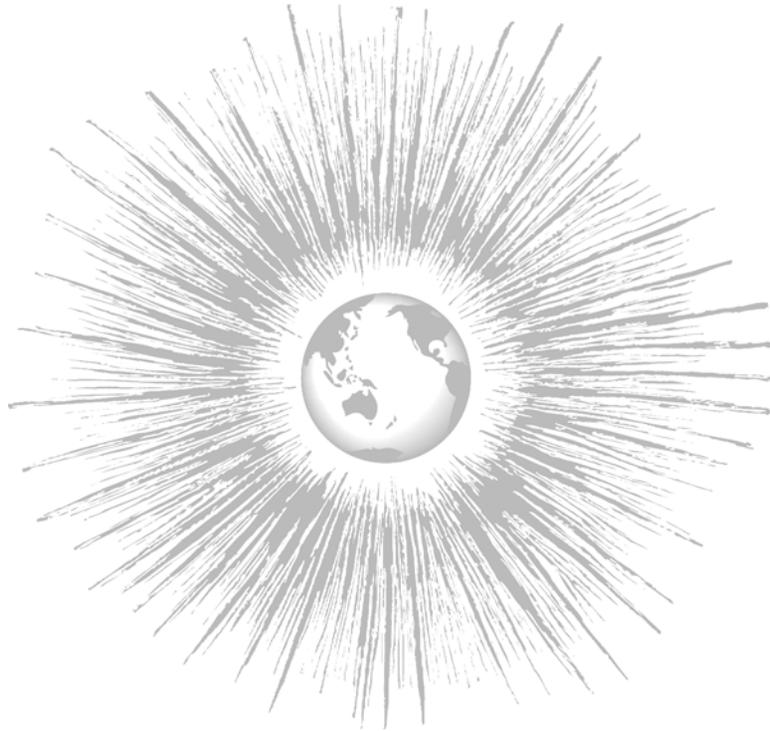
	(2) DIR	(3) OPEN	(4) SIZE	(5) SEC	(6) FIR	(7) DUMMY
(1) Level of development (DEV)	.06	.31	.54	.66	.15	-.03
(2) Domestic investment rate (DIR)		.23	.20	.13	.37	-.16
(3) Trade Openness (OPEN)			-.25	.24	.26	.15
(4) Size of the economy (SIZE)				.51	.11	-.19
(5) Human capital (SEC)					.19	-.03
(6) Foreign investment rate (FIR)						-.46

**Table A-2 – Basic models without TNC-related variables**

Dependent Variable: GDP per capita growth; OLS regressions

	1980–90		1985–95	
	(1)	(2)	(3)	(4)
Initial Level of Development (DEV) GDP/capita 1980 and 1985 (PPP-values).....	b = -.03** β = -.29 (t = -3.7) [VIF = 1.7]	-.00** -.35 (-3.5) [2.2]	-.02** -.21 (-2.7) [1.8]	-.00 -.06 (-.6) [2.5]
Domestic investment rate (DIR) Growth of total capital stock.....	.32** .30 (9.6) [1.0]	.31** .57 (7.9) [1.1]	.40** .67 (10.1) [1.2]	.41 .68 (9.6) [1.2]
Openness (OPEN) Average trade ratio.....	.00** .42 (6.1) [1.4]	.00** .50 (5.3) [1.6]	.00** .24 (3.4) [1.5]	.00* .19 (2.2) [1.9]
Size of the economy (SIZE) Average GDP 1980, 85, 90 and 1985, 90, 95.....	.03** .29 (3.2) [2.4]	.07** .53 (5.3) [2.2]	.02+ .17 (1.7) [2.8]	.05** .30 (3.0) [2.5]
Human capital (SEC) Secondary school enrollment rate 1970 and 1975.....	.00** .30 (3.1) [2.8]	.00+ .17 (1.9) [1.9]	.00* .24 (2.3) [3.1]	.00 .15 (1.7) [1.9]
Constant.....	-.41** (t = -4.4)	-.83** (-5.9)	-.28** (-2.5)	-.55** (-3.4)
R <sup>2</sup> adjusted.....	.71	.72	.71	.75
Number of Cases.....	84	63 (LDCs)	84	63 (LDCs)

\*\* p<0.01, \* p<0.05, + p<=0.1 (two-tailed tests)



## ABSTRACT

The attacks of September 11 are explored from the perspective of three temporalities—that of US hegemony (roughly the last 50 years), that of the history of modernity (roughly the last three hundred and fifty years) and that of the ‘clash’ between Western and non-Western civilizations (roughly the last one thousand years). The attacks are symptomatic of the emergence of regional, networked actors that the US is not well prepared to address and which disrupt the national-developmental world order organized under US hegemony. By demonstrating one of the unintended consequences of modernity—the democratization of means of destruction—the

attacks mark another nail in the coffin of the idea that progress can be attained through technological breakthroughs and the rational organization of the world (which we call hegemonic rationalistic modernity). The attempt to galvanize the Islamic community through an assault on its perceived rivals parallels the strategy of the Christian crusades 1000 years ago. The attacks mark a moment in the declining ability of the West to control the non-Western world. In conclusion, world order is likely to be reconstructed only if there is a move beyond US hegemony, rationalistic modernity, and the presumption of Western supremacy that characterize the contemporary world.

## INTRODUCTION

A central point of world systems analysis is that present-day events are illuminated by adopting a long-term perspective. Doing so allows us to discern their historical significance better than if one gets caught up in recording the ups and downs of contemporary mood swings or class struggles. Thus, for example, Immanuel Wallerstein repeatedly downplays the significance of contemporary ‘neo-liberalism,’ which has preoccupied many commentators on the left (Wallerstein 2001). In a longer-term perspective, he sees trends which have impaired the ability of capitalism to thrive as basically continuing to advance, or at least not having been significantly set back. He has consistently emphasized identifying the direction of long-term trends, rather than making hasty judgments based on recent events.

The terrorist attacks of September 11 sorely test this approach. They seemed to foster considerable change practically overnight, and, indeed, phrases like ‘the day that changed the world’ abound in media coverage. A president whose very legitimacy as president was routinely mocked by liberals suddenly found himself with the approval of the vast majority of citizens. The US found itself engaged in an open-ended war against terrorism, and its economy in freefall. A mayor in moral and political disgrace was compared to Churchill in his ability to offer strength and hope through tough times. A patriotic mood engulfed some of the most improbable sectors of American society, such as rock stars and Manhattan residents. New models of masculinity, epitomized by nerdy dot.com innovators,

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Steven Sherman  
 Department of Sociology  
 University of North Carolina at Greensboro  
 Greensboro, North Carolina 27402  
[threehegemons@aol.com](mailto:threehegemons@aol.com)  
<http://www.uncg.edu/soc/>

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were replaced by old models of heroic firefighters and police. Security displaced traditional concerns with civil liberties in the US.

Still, with a few months distance, it is clear that in none of these cases was there a complete shift on the morning of September 11. The establishment press had been trying to bolster the legitimacy of the Bush presidency since his inauguration.<sup>1</sup> The war between Bin Laden's Al Qaeda network and the US can be dated to the bombing of the embassies in Africa, or Clinton's bombing of the drug factory in Sudan (mistakenly believed to be owned by someone with links to Bin Laden) or his tossing cruise missiles at Bin Laden's camps in Afghanistan. Well before November, the US was involved in negotiations with the Northern Alliance (Abromovici 2002). The US economy was also showing clear signs of weakness before September 11.

While the mayor of New York was able to retire triumphantly, the next mayor (who had received Giuliani's endorsement) has quickly moved to distance himself from the style of his predecessor (Steinhauer 2002). Foreign visitors have noted the exceptionally patriotic quality of the US long before September 11. Old-fashioned forms of masculinity were being revived well before September 11 (see, for example, Mitchell 2000)<sup>2</sup>. And while the exceptional security measures for the 2002 Super Bowl received considerable coverage, the 2001 Super Bowl was also characterized by heightened security (New York Times Editorial Board, 2001). The September 11 attacks may well have accelerated many of these trends (and, in the case of Giuliani, reversed his stature), but they did not create them.

What follows will be concerned with larger trends than those that have absorbed the interest of the US media. In particular, I want to locate the events of September 11 within three time frames, of increasing duration. The first, the frame of US hegemony, concerns the last fifty-seven years, which can be divided into periods when US hegemony was relatively secure (until roughly 1970) and a period when it has been increasingly challenged (1970 to the present). The second, the frame of the ideology of modernity, can also be divided between periods when this ideology was ascendant (between roughly 1650 and 1945) and a

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<sup>1</sup> For example, see the footnote at <http://www.salon.com/comics/tomo/2001/02/26/tomo/index.html> (last verified 4/01/03).

<sup>2</sup> He argues that by claiming women really want more sensitive men, "What Women Want" feels out of touch. Nick's steak-and-Scotch persona is now back in vogue in the ad world, which makes the listen-to-your-inner-voice Nike commercial Nick and Darcy put together seem like an artifact from the Jurassic Park Gift Shop."

period when it has increasingly been challenged (roughly 1914 to the present). As befits a complex process such as the rise and demise of an ideology, these periods overlap. Finally, the largest time frame involves the clash between western and non-western civilizations. Here the most relevant time frame involves a period of increasing power for the west dating from 1000 to 1900, and a period of rising power of non-western civilizations dating from 1900. Although we will analyze each of these time frames separately, they clearly interrelate. Thus US hegemony will likely appear to be the last great effort (ironically, in some ways also the first) to organize the world according to the modern ideology, and also the first effort to create a global order that conceded ground to non-western people. In each of these perspectives, the September 11 attacks were not trivial; however, their significance can be more clearly grasped by understanding how they are embedded in processes that have been unfolding much more slowly.

#### TEMPORALITY 1: US HEGEMONY

When discussing hegemony, world systems analysts are simultaneously referring to the exceptional power of particular states or coalitions of classes—a capacity to deploy economic and military power that is so much greater than any other actor in the system that they seem the natural candidate for world leadership—and the world order those states organize. Hegemonies emerge out of periods of systemic chaos. Exhausted by war and social unrest, rulers and key elements of classes in struggle are willing to cede to the hegemon, with its exceptional capacities, the power to institute a new framework for the world political/economy (see Arrighi 1994: 27–73, Wallerstein 2000b—the perspective here relies more on Arrighi). There then follow cyclical phases. First, what might be called a 'defensive' phase, or 'high' hegemony, in which the hegemon relies on territorial rulers to secure order. This is followed by a 'euphoric' or 'late' phase, in which the dwindling capacity of the hegemon—or any other actor—to maintain world order is obscured by cosmopolitan complacency of the ruling classes of the system.<sup>3</sup> Such cosmopolitanism is encouraged by the 'financial withdrawal'

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<sup>3</sup> I here depart somewhat from the framework of Arrighi and Wallerstein, who do not use the terms 'high' or 'late' to modify hegemony. In his description of systemic cycles of capital accumulation, Arrighi notes a pattern in which a 'signal' crisis precedes by several decades a 'terminal' crisis marking the end of a regime of capital accumulation. The 'signal' crisis marks a time when the capitalist power at the heart of the cycle turns to finance, since capital can no longer be invested profitably in trade and production (See Arrighi 1994). Periods of what I am calling 'late' hegemony roughly correspond to the period between the 'terminal' and 'signal' crises.

enacted by the capitalist class of the leading state; searching for customers for loans, they adopt a more global perspective. Economic integration encouraged by such cosmopolitanism—‘free trade,’ the rationalization of empires—strains the capacities of subaltern classes, who begin to revolt. Furthermore the declining status of the hegemon encourages an acceleration of interstate competition.

All of this leads to chaotic wars, initiating a return to the beginning of the cycle. Typically, the hegemon is displaced not by its primary challenger, but by a ‘junior partner’ which now needs to be called in to maintain the former hegemon’s wealth, if not its power and status. This junior partner has historically been less vulnerable to destruction during interstate conflict than the declining hegemon. For example, the US suffered only an attacks on two colonies (Hawaii and the Philippines) during World War II. By contrast, Britain (the declining hegemon) was bombed, while the physical stock of Germany was virtually destroyed.

As it emerges as hegemon, the new power creates a ‘new deal’ for subaltern classes, including some in the new order as a way of defusing intense social conflict (Silver and Slater 1999). Hegemonic decline thus entails change in both aspects of hegemony. It indicates a decline in the exceptional capacities of the hegemonic state, and a decline in the strength of the world order over which it presides.

Writers who look at hegemonies comparatively and historically tend to argue that US hegemony is in decline. This may seem surprising, given the consensus among many writers on numerous points on the political spectrum that US power is greater than ever, that it is dematerializing into a generalized power throughout the world (Anderson 2002, Nye 1990, Friedman 2000, Hardt and Negri 2000). Such writers, however, tend to rely primarily on extrapolating trends from the mid-nineties indefinitely into the future, and do not base their conclusions on careful historical investigation as to whether the trends they identify are characteristic of the consolidation of global power or its decline. To take just two examples—the interpenetration of US and East Asian capital, and the immense popularity of US consumer culture—are both routinely cited as evidence of US strength. But both, in a historical perspective, are characteristic of trends as a power begins to decline.<sup>4</sup> Furthermore, these writers tend to con-

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<sup>4</sup> On the first point, Karl Marx, writing in the late-nineteenth century wrote “By the beginning of the 18<sup>th</sup> century...Holland had ceased to be the nation preponderant in commerce and industry. One of its main lines of business, therefore, [became] the lending out of enormous amounts of capital, especially to its great rival England. [And the] same thing is going on today between England and the United States.” (quoted in

flate the exercise of economic and military coercion with power,<sup>5</sup> ignoring the Gramscian insight that power is greatest when dominant classes secure their leadership over subalterns through consent and ideology. As the US economy stumbles, and the Euro emerges as a rival to the dollar, this perspective already seems dated—triumphalist on the right, bathetic on the left. Here however, I will not address the economic order in great detail, but focus on the significance of the September 11 attacks for understanding the evolution of US hegemony and the hegemonic cycle.

First of all, September 11 poses a new sort of military challenge to the US. It is worth considering the military strategies the US has pursued since becoming hegemonic to understand its significance in this light. Although hegemony is based on consent (in the US case, the consent of ‘core’ ruling and working classes and post-colonial national elites), it always also contains an element of force.

US hegemony has internally (to the US) been predicated on an almost continuous mood of military confrontation and panic. Although US hegemony involved a much more extensive deployment of ‘soft’ forms of power—cultural and scientific networks, foreign aid, etc—than previous hegemonies, the US coercive force has also been more pervasive around the world than any earlier military power.

During the period of ‘high’ hegemony, 1945–1970, US coercive power took three forms. First, the cold war confrontation with the Soviet Union locked Western Europe into a dependent position in relation to the US. It also maintained a degree of stability in relation to weapons of mass destruction, as the two powers that had most of these (the US and USSR) were terrified of entering a war with each other. Secondly, the CIA supported local forces through the deployment of intelligence, money, ‘dirty tricks’ etc to maintain US allies in power or overthrow perceived enemies. Third, if this failed, the US employed its regular military to intervene to prevent radical forces from coming to power in third world nations (Korea, Vietnam, the Dominican Republic).

By the early seventies, this entire strategy was in crisis. Euro–communists raised the spectre of Western European nations charting an independent course. The US military’s intervention in Vietnam resulted in domestic unrest and a mutinous army. The blowback from the defeat in Vietnam was twofold: the

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Arrighi 1994:13). On the latter point, Fernand Braudel, in his study of the popularity of Italian culture in Europe in the 16<sup>th</sup> and 17<sup>th</sup> centuries, notes that cultural efflorescence, like Hegel’s owl of wisdom, tends to take flight as power recedes (Braudel 1991).

<sup>5</sup> Some writers conflate the expansion of the US military and its armaments with US power, which compounds the error.

US could not muster the will to intervene to stop revolutionaries from attaining power in Southern Africa and Central America, and domestic reformers empowered by the anti-war mood tied the hands of the CIA. Furthermore, the US tie with Israel (following the 1967 war) hurt US credibility worldwide. These developments led to a triumphalist belief on the left that US power was collapsing (elsewhere on the political spectrum a similar view was held, albeit with a different emotional cadence).

However, over the next twenty years, the US succeeded in developing a new strategy. Reagan pulled Europe back into the fold in the context of a 'second cold war', greatly aided by the Soviet handling of crises in Poland and Afghanistan. Third world revolutions were stymied by the sponsorship of local, proxy forces ('low intensity conflict' in Southern Africa and Central America) and egregious penalizing of revolutionary governments (Vietnam, Cuba). In Iraq, Yugoslavia, and Panama, the US demonstrated its capacity to rain down devastation and terror sufficient to accomplish objectives (forcing Iraq to leave Kuwait, causing 'regime change' in Panama and Yugoslavia) while taking few casualties of its own. Furthermore, the IMF became an instrument of economic coercion to force third world economies into a mold preferred by the US.

By the mid-90s, these strategies seemed remarkably successful. The USSR had collapsed. Revolutionary forces had mostly sought negotiated settlements on terms acceptable to the US. 'Democratization' seemed to have consolidated the rule of neoliberals in many parts of the former 'second' and 'third world.' US military capacity had been demonstrated in the gulf and the Balkans, and the stage was set for yet another transition in post-Vietnam military doctrine and practice away from 'low intensity conflicts' toward the direct assertion of overwhelming US military power, especially using ultramodern weapons that strike from the air with near impunity, complemented by smaller, more mobile ground forces. Even the Israeli/Palestinian situation was being resolved in a way that was defusing anti-US hostility.

However, at least three new military strategies have challenged the US. First, the Zapatistas engaged in a minimal level of military activity, but in the context of a large international network of supporters mobilized through the internet. As a result, the Mexican government (allied with the US) has not been able to crush them in a fashion comparable to what the Guatemalan military did in the eighties. Furthermore, the Zapatistas have not sought to attain state power, which would leave them vulnerable to embargo etc. Instead, they have sought to encroach on the prerogatives of the Mexican government in a portion of territory.

Secondly, 'rogue states' (i.e. states which do not share the geostrategic/economic agenda of the US) such as North Korea and Iraq have sought to attain

weapons of mass destruction. Should they do so, it would be much more difficult to threaten them with new 'gulf wars.' They could respond to efforts at 'regime change' by threatening to detonate such weapons.

Thirdly, there is terrorism of the Al-Qaeda sort. With no explicit demands, and a willingness for combatants to sacrifice their lives in action, it is impossible to control through co-optation. Lacking a state, but dispersed among many (and in particular, exploiting the disappearance of the modern nation-state in a number of peripheral areas), it is difficult to simply crush or completely eliminate them (or even their leadership) through the use of overwhelming high tech air power and mobile ground forces. And, as we will return to in the next temporality, it can reap the weapons of mass destruction and chaos produced by normal processes of the modern world.

Above all, the Al Qaeda strategy has proven its ability to strike a devastating blow in the 'homeland' of the hegemon. Its symbolic import in demonstrating US vulnerability should not be underestimated. In the short term, the US population has rallied behind US policies of responding militarily to a threat (a response entirely predictable from a Weberian theory of legitimacy, in which the state is conceptualized as the defender of the population). But what are the long-term consequences if another attack is pulled off? The stakes seem exceptionally high. As Rand institute analyst John Arquilla comments, "If al-Qaida acquires nuclear weapons, it will win this war. One detonation would end any sense of American superpower, or world leadership in America and around the world."<sup>6</sup> (Pisani 2002)

How has the US responded to these challenges? To date, it has encouraged a war of attrition against the Zapatistas, slowly sapping their energy while avoiding a bloodbath. It is contemplating a war to oust the regime in Iraq, although the US military appears skeptical of the wisdom of this path (Ricks 2002). Related to this, it has declared a new doctrine of 'pre-emptive' strikes; in other words, the US reserves for itself the right to attack any country it perceives as a future threat. It is much too early to see exactly how this doctrine will play itself out; in the short term, it has greatly exacerbated tensions between the US and the European Union. While cold-war tensions pulled Europe under the US umbrella, the standoff with Iraq seems to be doing the opposite, fracturing the alliance between the US and Europe. Furthermore, China, a 'rogue state' (by its

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<sup>6</sup> Furthermore, internally, the US state has experienced a steady decline in legitimacy, temporarily reversed by hopes that it will crush Al Qaeda, but susceptible to being triggered again.

independence) if ever there was one, cannot be challenged militarily by the US,<sup>7</sup> and is likely to add to its stock of weapons of mass destruction.

Finally, the US has sought to stop Al Qaeda by a bombing campaign against the Taliban regime in Afghanistan. This promptly brought a regime change, but it is not clear that it crushed Al Qaeda. According to the *New York Times*, “Classified investigations of the Qaeda threat now under way at the F.B.I. and C.I.A. have concluded that the war in Afghanistan failed to diminish the threat to the United States....Instead, the war might have complicated counterterrorism efforts by dispersing potential attackers across a wider geographic area.” (Johnston, Van Natta, and Miller 2002) Furthermore, as will be elaborated below, the implosion of nation-states that facilitates networks like Al-Qaeda also poses exceptional challenges not yet addressed by the US. To date, the US has not come up with an effective strategy for dealing with ‘rogue states’ or Al Qaeda style terrorism, and its efforts to do so have not strengthened its credibility worldwide.

But the US’ new vulnerability is not the only way in which the attacks mark a signal moment in the decline of the US as hegemonic power. As noted above, periods of cosmopolitan complacency typically give way to chaotic interstate struggle. The last twenty years have been just such a period of ‘cosmopolitan complacency’, quite comparable to both pre-French revolution Europe and the ‘belle epoque’ of the early twentieth century in the enthusiasm for trade as the great integrator of humanity and the belief that shared consumption norms among elites (and, in this case, a fraction of the masses) pave the way for a pacific, unified humanity.<sup>8</sup> The US has had a special role to play in this moment—the most vigorous (although not the most consistent) advocate for free trade, it is also a key destination of worldwide migration, and the generator of many global consumption norms (particularly for the masses). The question is, will such an attitude survive the September 11 attacks? Escalating security costs can produce a significant drag on international trade. Both popular and governmental suspicion of immigrants might erode the current situation allowing for relatively large,

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<sup>7</sup> China’s huge population, as well as its tight economic integration with the US, makes a military confrontation improbable. However, some right wing analysts have advocated ‘regime change’ for China. How exactly this would be carried out, particularly given China’s nuclear weapons, is unclear.

<sup>8</sup> Thomas Friedman is the proud author of the thesis that no two nations with McDonald’s outlets have fought a war. Actually, in 1990, the US invaded Panama (which had McDonald’s) to depose Manuel Noriega.

legally ill-defined numbers of immigrants. At the same time, the US is heavily dependent on immigrants for cheap labor in both the manufacturing and service sectors. One possible way out of this would be for the US to refocus on Latin America as its periphery of choice, one the US seems destined to be involved with, and one where, to date, ideological disagreements have not taken the form of terrorist movements against the US. However, the US cannot easily extricate itself from the Middle East, given both its dependence on cheap oil, and its historic and emotional ties to Israel. Furthermore, after ending gold convertibility in the early seventies, the US depends on oil transactions being carried out in dollars to maintain the centrality of its currency globally (Makhijani 2002). The global reach of the US seems both necessary and an unworkable burden.<sup>9</sup>

Viewed in the context of hegemonic transitions, the attack does not have implications only for the US. A hegemonic regime involves both a hegemon and a world order it produces and attempts to maintain. September 11 is indicative of a transformation of the world order the US has traditionally presided over. The US-led order can be summarized with the phrase ‘national development.’ ‘National’, in the sense that everywhere in the world, territory was divided into nation-states, each supposedly representing a distinct ‘people’ and ‘economy’, all of smaller scale economically than the US itself. ‘Development’, in that the US fostered hope that each nation could prosper and grow economically, and thus solve the bracing social problems they were faced with. They would grow by combining traditional elements of their relationship with the world economy—supplying raw materials, openness to foreign investment—with efforts to industrialize. They would enjoy independence politically, although armed might was concentrated in the hands of superpowers (and, when the Soviet Union collapsed, in the hands of the US).

During the period of ‘high’ US hegemony (1945–1970), the US was overwhelmingly concerned with the prospect that nation-states might violate these principles, primarily by the state swallowing the entire economy, closing the door on foreign investors, and eventually joining the Soviet bloc. To prevent this

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<sup>9</sup> In this context, it is worth noting that even before September 11, Bush indicated that he wished to move away from the globalism of Clinton, and instead focus on integrating the economies of Latin America with the US in order to keep up with Europe. It should also be noted that Europe has vigorously moved into Latin America, purchasing industries during the ‘privatization’ period in the nineties, and, more recently, concluding a free trade treaty with Chile. The consequences of the shift to the left in Latin American politics are beyond the scope of this paper.

prospect, the US on several occasions directly intervened, and, on many more, indirectly sought to tilt the balance of internal political forces. *The important thing here is that the US fought these battles state by state.* In a sense, the last great moment in this phase came with the fall of the Soviet Union; over the objections of its European allies, the US succeeded in insisting that each Eastern European state cuts its own deal with the IMF and the World Bank (Gowan 1999:187–192).

Although these battles were intense, and undoubtedly much of the hysteria expressed by US policy makers in the period was genuine, the US was ultimately able to resolve this dynamic in its favor. The terrible fear of contagion, in which a revolutionary state would inspire or export similar experimentation in its neighbors, rarely came to pass. Delinked from the dominant flows of the world economy, those states in which revolutionary regimes succeeded in consolidating themselves were unable to become models for the rest of the periphery.

However, the ‘national development’ order is nonetheless eroding in ways that pose serious challenges to US power. During the period of US ‘high hegemony’, the concept that peoples should band together over the limits of national borders enjoyed a rhetorical vitality (Africa must unite! Nassar’s Pan–Arabism) but little real world salience. That has changed. First of all, the European Union is consolidating itself, and is likely to soon emerge as the largest economic actor in the world. With the Soviet Union gone, it is not clear how far east the EU will advance, particularly as the glow of pro–US diplomacy wears off in the former Warsaw Pact countries. The prospect of the largely social democratic core states of Western Europe fusing together administratively has so excited some that there are claims that Europe may emerge as the hegemon of a new world socialist order (Boswell and Chase Dunn 2000:218–19). If so, it would mark a notable departure from previous hegemonic cycles. The most ambitious state-makers, the ‘administrative overachievers’—France (in the 18<sup>th</sup> century), Germany (in the 19<sup>th</sup>) and even the Habsburg Empire of Charles V—have never become hegemons. In retrospect, it appears that in each of those cases, ambitious state-making activity compensated for serious economic and social limitations.

Instead, the hegemons, i.e. the United Provinces, the UK, and US, all produced societal cohesion through markets, with only slapdash and haphazard administration and pronounced anti–centralizing ideologies. From this perspective, the emergence of a Pacific Rim economy, involving many states integrated by the Chinese diaspora and Japanese capital, may be of more significance. This economic complex has become the productive and financial center of the world, even while possessing minimum political integration and, indeed, not really possessing many nation-states of the conventional sort (Arrighi 1996). The region has been integrated both through the transnational investment of Japanese and

US capital, and the integrative work of the Chinese diaspora. The latter has wedded the pre-modern technique of minimizing transaction costs by relying on trust fostered through kinship networks to a set of post-developmental, export-oriented states.

In our view, both the European Union unifying politically and East Asia integrating as a sort of micro-world economy represent the emergence of actors who are far more difficult for the US to lead than the nation-states of twenty five years ago. The US no longer possesses an edge in terms of economic scale. Its clout as a center of finance, production, and as a market is much less pronounced.

In terms of conceiving of this period as one of hegemonic transition, it seems unlikely that either the European Union or the East Asian world economy will enter into a deliberate competition for world leadership with the US, particularly in the military realm. Indeed, both regions have largely avoided engaging in arms build-ups, even as they have steadily displaced the US as major donors of foreign aid (aid being a classic example of the principle that ‘a gift’ is usually an exercise of power). However, should the US prove unable to contain the new military strategies described above, we are likely to see alternative strategies fashioned by these new power centers. Reigning in chaos is clearly in the interests of all the world’s elites (who require both physical and economic security), and the US will only continue to be given *carte blanche* in this area if it can credibly claim that it is doing so.

What is the relationship between Al Qaeda and the emergence of regional political-economic actors? Although the Middle East, conceived of as either the Arab world (an identity more relevant before the mid 70s) or the center of the Islamic world, has failed to unify either politically or economy, it has provided terrain for struggles that have repeatedly exceeded the boundaries of nation-states. The first two examples of this, the emergence of OPEC, and the deterritorialization of the Palestinian struggle, proved less threatening than they first appeared. The former, seemingly the vanguard of a broader effort by third world nations to unify and raise the price of the basic commodities they export, ultimately proved little more than a tool for US hegemony. Europe and Japan are even more dependent than the US on foreign oil. Furthermore, oil profits were recycled as loans to the Newly Industrializing Countries, laying the groundwork for the debt crisis. The Palestinian strategy involved taking the struggle to the spaces of international air travel, but it remained in the service of a conventional nationalism.<sup>10</sup> Were the Palestinians not being oppressed by a nation with powerful cultural

<sup>10</sup> The US’ closest ally in the region, Israel, has also refused to stay within recognized international boundaries. However, as an ally of the US, this has not been destabilizing of US hegemony.

and emotional ties to the US, their demands could likely be incorporated in the existing framework of US hegemony.

The Iranian revolution represented a more radical vision. While occurring in the context of a nation-space, the Iranian revolution trampled on the rules of the interstate system and called on a pan-Islamic community for support. However, the prosaic realities of state management have overwhelmed this transnationalist vision. Then Iraq violated the rules of the interstate system when it invaded Kuwait, as part of a Bismarkian effort to unite the bulk of the major oil producers through force. The Iraqi army was driven back to within its borders by a US-led UN force, and has remained penned in through blockade ever since. In this context, Bin Laden appears to be the latest revival of the transnationalist dream, employing Islam and hostility to the West to unite a network drawn from dozens of countries.<sup>11</sup> In a sense, his is a region-building project, attempting to achieve through almost theatrical struggle what Europe has been able to achieve politically and what East Asia has achieved through the activities of a trade diaspora. Drawing on the religious identity that links people from Nigeria to Indonesia, he seems to be suggesting that they share a common enemy, and a common desire to inflict pain on that enemy. He has taken the amorphous hostility towards the US to weld together a transnational network. He also appears to be trying to provoke the US into intervening more directly in the Middle East as a way to discredit moderate regimes. If this is his strategy, it appears to be working.

Symptomatic of this move toward supra-national regionalism is the contrast between the major media stories of the gulf war and 9–11. The gulf war concentrated a great deal of attention on the global impact of CNN. CNN broadcast the war live throughout the world, creating the illusion of a unitary discourse about what was transpiring in the conflict between the US-led UN coalition and Saddam Hussein (Friedland 2000). This reinforced the rhetoric of ‘globalization’ becoming fashionable at the time. By contrast, since 9–11, the most dramatic media development has been the capacity of the Arab satellite channel Al-Jazeera to scoop Western media complexes, bringing tapes of Bin Laden into the homes of millions. The triumphs of Al-Jazeera have highlighted the fact that this network takes a very different view of the actors in the Middle East than the Western media. Whereas twelve years ago it seemed as if the new media (epitomized by satellite TV) were unifying the world under Western discourse, today

<sup>11</sup>. “[Bin Laden] was above all the man who revived pan-Islamism, a coalition builder working to bring together Sunnis and Shiis” (Jacquard 2002: 99).

it is more obvious how these media can be used to carve out space for other voices and perspectives. A similar phenomenon is visible on the internet, where the most striking development since 9–11 has been the inability of the US to contain and discredit rumours of Mossad or CIA involvement in the attacks. If the foundation of European unity is a political consensus among elites, and East Asian unity is facilitated by dense cross-border economic ties, Middle Eastern regional unity is largely an ideological-cultural project, driven as much by sentiment from below as from the ‘top down.’

The Chinese Diaspora and the Al Qaeda network<sup>12</sup> can be understood as the two most important examples of a much more widespread phenomena: the emergence of southern, non-liberal transnational networks. These networks have emerged in the South (the ‘peripheral’ part of the world economy) in response to both the challenges and opportunities of the present period. The challenges involve the demise of national development and the general retreat of foreign capital from Southern countries; opportunities, on the other hand, have been created both by relatively easy migration and access to global communication networks. They are non-liberal in the sense that, unlike northern-dominated transnational economic and ideological networks (multinational corporations and NGOs respectively), they make no claim to transparency, and do not seek to explain themselves to a global audience (they thus, in contrast to these northern networks, provide little pressure for the expansion of quasi-world state institutions).<sup>13</sup> The northern networks claim that anyone is welcome—in the case of transnational capital, if one has the money, in the case of NGOs, simply if one supports goals of universal human rights, etc. By contrast, entrance to Southern networks is defined by ethnicity, kinship, religion, etc (it is true that religions often have a universalistic component—but in a world dominated by post-enlightenment thought, they have a particularistic quality). Other examples

<sup>12</sup>. Here it should be noted that there is no official ‘Chinese diaspora network’—only a series of ties between globally dispersed members of an ethnic group. And while it apparently is clearer who is and who is not a member of the Al Qaeda network, it is embedded in a much more amorphous community unified by a militant version of Islam and anger at the West. The Al Qaeda network could be destroyed without necessarily weakening this community’s capacity to act in the world.

<sup>13</sup>. Does it need to be stated here that the claims to transparency of Northern networks of capital and NGOs does not make them inherently morally superior? As numerous writers, most notably Foucault have emphasized, enlightenment ideologies of universalism, transparency, etc. produce their own forms of domination and exclusion.

of these networks include redistributive networks of immigrants returning remittances to their homelands, and networks of arms dealers, drug traffickers, immigrant smugglers, etc. Although the Chinese diaspora gains its cohesiveness through capitalist enterprise, and Al Qaeda through anti-western militance, this should not obscure some of their commonalities—like all social networks, they engage in a variety of information and resource sharing activities for their members. They (and other, smaller networks) enter into complex relationships with the remaining structures of developmental states, accessing opportunities, resources and protection through their contacts in them.

These networks have primarily come to the attention of northern states in the context of breakdowns of state order, i.e. the ‘complex political emergencies’ that the NGO community focuses much of their energy on (Sudan, Kosovo, etc). These ‘emergencies’ occur because one or another network is able to rally what remains of some state apparatus to the side of its ethnicity. They are dangerous far beyond their borders because the chaos facilitates the use of territory as launching ground for drug lords, armed groups, etc (Kaldor 1999). The response promoted by NGOs involves the ‘radicalisation’ of development discourse, in the sense that, along with calling in the force of US-led arms to eliminate armed forces stigmatized as deviant, it is believed that only comprehensive nation-building<sup>14</sup> can prevent recurrent emergencies (the previous paragraph owes a great deal to the Duffield 2001. He briefly notes that the East Asian development states bear some resemblance to his ‘emergent political complexes’).

Such a discourse has quickly been assimilated to the US struggle against Al-Qaeda. There is already talk about the importance of nation building in Afghanistan and Somalia to prevent them becoming breeding places for Al Qaeda. If the US carries through such a program, it would mark an expanded (indeed, quasi-colonial) relationship to these states compared to the program of post-colonial developmentalism pursued in the fifties and sixties. It is not clear how long such a list of countries is going to grow, nor how many resources the US is ready to devote to such projects, nor how the US would effectively navigate the social and cultural relations involved—NGOs have themselves had serious difficulties with more modest programs of delivering aid (Again, see Duffield

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<sup>14</sup>. ‘Nation building’ is the geopolitical correlate of the classic social worker’s belief that if his or her clients can be remade as middle class citizens, their problems will be solved. As in the sub-national case of the social worker, the rhetoric of ‘nation-building’ takes account of neither the power relations that successful nations depend on, nor the ways in which the ‘deviant’ behavior of ‘failed states’ may be productive for some actors.

2001:202–254). On the other hand, if the US does not involve itself in such a project, what is to stop these territories from relapsing into chaos, and thus creating new safe havens for terrorist networks?

From another optic, these transnational non-liberal networks can be seen as part of the undoing of the US hegemonic order. Arrighi has identified an alternating pattern of cosmopolitan, privatized capitalism and bureaucratic corporate capitalism over the last eight hundred years (Arrighi 1994:144–158). The US epitomizes the latter. Bureaucracies typically face contradictions that as they try to control more and more through formal rules, more and more spaces open up for informal forms of social organization (Scott 1998, Lomnitz 1988). Such a dynamic is often cited in explaining the economic problems of the USSR (see, for example, the work of Alec Nove 1986). Arrighi uses it to explain the transition from vertically integrated American corporations to subcontracting patterns characteristic of East Asian capital. But it also seems to have more widespread application. US hegemony entailed trying to survey and bureaucratically organize the space and practices of the world (through the UN, GATT/WTO, the production of nation-states, NGOs, USAID, etc). The transnational ethnic and religious networks have responded to the failure of this system to adequately sustain people’s basic needs. *In this sense, the ‘Empire’, conceptualized as a global, deterritorialized bureaucratic form of control, is in the process of being deconstructed, rather than emerging.*<sup>15</sup> The expansion of informal networks represents a decline in the legitimacy invested in the formalized global bureaucracy the US has promoted. The ‘explain-nothing’ policies of these networks (the abandonment of the pretense that their actions should be approved by an imagined global audience) may represent the future, rather than peripheral noise, should bureaucratic control continue to decay. In other words, as efforts to control the world—either as a space of capitalism, or as a space of human rights, sustainable development, etc progressively implode, northern networks may begin to take on more of the aspects of these southern networks, abandoning the pretense that they can effectively survey and control the totality of global social relations (on the other hand, Southern networks may take on some of the characteristics of Northern ones, seeking to explain and justify their behavior as a way to protect themselves).

To summarize: from the perspective of the temporality of US hegemony,

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<sup>15</sup>. The previous sentence is referencing *Empire* (Hardt and Negri 2000) which argues that a decentered world empire is emerging. Their text is highly north-centric, and fails altogether to anticipate the developing split between the European Union and the US.

September 11 demonstrates a new vulnerability on the part of the US, which will likely lead to diminished enthusiasm for one-worldism as currently practiced. The Al Qaeda network is part of a trend involving the emergence of regional actors difficult for the US to control. It also draws attention to the emergence of new Southern transnational forces the US is not experienced addressing, and which mark a breakdown of the 'national development' world order instituted by the US following WWII.

## TEMPORALITY 2: MODERN IDEOLOGY

The September 11 attacks are likely to also have implications in the realm of ideology. One possible narrative context is provided by John Gray's comment that the fall of communism is merely a predecessor to the collapse of Western liberalism. We have noted above that emergent Southern forces are generally illiberal, and this parallels his analysis in *False Dawn*. He emphasizes the emergence of culturally specific forms of capitalism, as the belief that Western modernity embodies universal features disintegrates.

Wallerstein has also argued that Western liberalism is in a crisis, having been repudiated in the world revolution of 1968. Liberalism is a difficult term to define. But if we think of it as the effort to advance a universal agenda of rights in the context of moderate, elite leadership, it might appear to have taken a major blow on September 11.

The US, the major global advocate (and enforcer) of liberalism was thrown on the defensive. Torture and racial profiling were both advocated in the US liberal media. Human rights rhetoric was shelved in favor of declarations of an open-ended "war on terrorism." However, it is difficult to disentangle this from cyclical patterns of US politics; it should not be forgotten that Bush, during the election, mocked Clinton's liberal commitments in Africa and the Caribbean, and, before September 11, defiantly stonewalled the international community on accords around the environment and arms control. Furthermore, liberalism is somewhat safeguarded now by the transnational NGO community, whose culture is epitomized in UN conferences on women, population control, aging, racism, development, etc.<sup>16</sup>

Declaring September 11 to be a landmark date in the decline of liberalism

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<sup>16</sup> This transnational NGO community may yet prove to be an obstacle to the reproduction of US hegemony, largely through empowering the global professional classes to advocate a substantive rationality in contrast to the economic rationality singlemindedly advocated by the US.

strikes us as premature. In a sense, hegemonic transitions are always periods of a crisis of liberalism. The old standard bearer of liberalism (the declining hegemon) is overwhelmed, while a new formulation cannot yet be born. The liberal prospect for the world fades until the new hegemon is able to reformulate the liberal promise in a more contemporary fashion.

What does seem threatened with further decline by the attacks of September 11 is the promise of hegemonic rationalistic modernity. By hegemonic rationalistic modernity, we mean the promise that order, efficiency and predictability can be brought to the world through the universal application of quantitative, reductive science. Such a promise does not encompass all of modern thought; from the sixteenth century on, an undercurrent has emphasized the unpredictable, historical, and fragmentary nature of reality (Toulmin 1990, Hardt and Negri 2000). However, hegemonic rationalistic modernity has ascended in prominence from its philosophical formulation by Descartes onwards. With the onset of US hegemony, it became the dominant mode of thinking for global elites (spurred in this direction, in good part, by the challenge of the Soviet revolution).

Earlier, British hegemony included an historical, conservative tendency that responded to the perceived French revolutionary appropriation of rationalistic modernity by promoting the value of putatively 'ancient' institutions. This conservative tendency found its fullest fruition in the British colonial empire (Cannadine 2001, see also Wood 1992). Perhaps inevitably, when the colonies attained their independence around the Second World War, the embrace of science seemed a genuine alternative to the situation they had been living under. 'Developmentalism' was the name given to this application of rationalistic modernity (see Escobar 1994). By applying rationalistic modernity to the peoples and places of the 'developing world', it was hoped that it could be transformed into something like the modern West.

Challenges to the promise of hegemonic rationalistic modernity began somewhat earlier. In World War I, the most 'advanced' nations slaughtered a generation of young men with their technology. Far from consolidating human progress, modernity facilitated the mass murder capabilities of armies. Many thinkers could not reconcile such an event with the promise of modernity (Eksteins 1989). The Nazi holocaust added further doubts. Bureaucracy—the organizational form of hegemonic rationalistic modernity—was employed for unprecedented horrors, rendering genocide itself predictable and orderly (Bauman 1989). Finally, the renewed faith in hegemonic modernity produced by de-colonization and US hegemony was sapped by awareness of environmental devastation, the creation of 'one dimensional man', the failure of developmentalism to deliver prosperity to the post-colonial world, and the capacity of poorly armed Vietnamese peasants to defeat US technological military might (Carson

1962, Marcuse 1964, Rahneema and Bawtree 1997, Gibson 1986).

September 11 further highlighted unforeseen weaknesses of hegemonic modernity. Commercial jets were turned into bombs; office towers were turned into tombs. Put another way, concentrations of energy and concentrations of people were revealed to be dangerous weapons and traps that a small group could turn against society. But these concentrations (more or less what is known as industrialization and urbanization) were what modernists had always advocated as central tasks in bringing about progress. The blow was all the more dramatic coming in New York City, the heartland of chaotic, cosmopolitan, disturbing modernity, subject in the last ten years to a makeover as a fortress of security, predictability and fun by Mayor Guiliani (Davis 2001). In short order, it was also recognized that chemistry and the concentration of information also left society vulnerable (respectively, to biological and cyber-terrorism). *Regardless of the roots of Al Qaeda, regardless of the US' success or failure in subduing it, the knowledge of the potential of these weapons has now entered the collective consciousness of humanity.* Until September 11, destructiveness on this scale—roughly 3,000 dead—had only been committed by states. Now, apparently, the process of modernity has ‘democratized’ the capacity for destruction to much smaller groups willing to take a disciplined approach to ascertaining society’s vulnerable points (it should be noted here that while much of the American media has focused on ‘Islamic rage,’ ‘anger at the US,’ etc., the attacks were clearly planned and carried out through the disciplined maintenance of routine and observation, in other words, in a highly modern manner).<sup>17</sup> It is presently difficult to imagine altogether securing society against their use, by a political force or even by some cult of death generated in the interstices of modern society. In one of the central paradoxes of modernity, the means that have increased the security and predictability of society seem to also accelerate insecurity and unpredictability.

Previous doubts about hegemonic modernity have frequently generated nihilistic, aesthetic cults—Dadaism and postmodernism,<sup>18</sup> for example. Such responses are relatively uninteresting, because of their limited capacity to offer insight into how to act in society, beyond poking holes in the ordering aspirations of others. But the search for an alternative (post) modernism—one that

<sup>17</sup>. And the ability of the terrorists to reuse everyday aspects of contemporary society (boxcutters, planes, office buildings) to carry out the attacks can be considered almost postmodern in its recycling of existing elements for other purposes.

<sup>18</sup>. I’m using this term here to refer to the school of French philosophers and their multinational followers who gained international notoriety during the eighties with their emphasis on the impossibility of making sense of reality.

seeks to provide ideas about how to act even while accepting the impossibility of the complete rationality and predictability of the modernist dream—is likely to accelerate. In any case, it was already well under way since the post-1968 refurbishment of non-modernist forms of liberation theory. Certainly the limits of hegemonic rationalistic modernity have not been recognized by everyone equally, indeed, learning from September 11 has been deferred while attempts are made to control the problem through war. But raising these limits after September 11 is an altogether different task than doing so before.

As noted above, in his study of the trajectory of historical capitalism, Arrighi emphasizes a retrogressive aspect (Arrighi 1994). That is, each cycle of capitalism in some ways resembles the one that came before its predecessor more than its predecessor. Perhaps ideological cycles are similar. In other words, perhaps the ideology of the twenty-first century will more resemble that of the nineteenth than of the twentieth century. While the US (and the Soviet Union) emphasized the possibility for modernist technology to propel newly independent states to a bright future (and themselves to the moon, the ‘space race’ being a perfect symbol of ahistorical, rationalistic modernity), the British, as noted above, tended to emphasize historical continuity and the particularity of national cultures. Awareness of the ways that ambitious modernist schemes can create time-bombs in the midst of society may accelerate an already emergent return to history and particularity. This return is most visible in the ‘cultural turn’ in the social sciences and history, which emphasize the centrality of particular constructions of meaning and identity, as opposed to the deep seated material structures emphasized by modernists (see, for example, Hunt 1989). Equally relevant is the turn to ‘local knowledge’ among many development theorists (see, passim, Rahneema and Bawtree 1997).

Some who argue that the September 11 attacks were actually the last gasp of militant Islamism, suggest intellectuals of the Islamic world will ‘return home’ to Islam to reconnect with the masses.<sup>19</sup> This too, would mark a move away from modernist rationality and towards the integration of a ‘local’ framework into

<sup>19</sup>. Worth quoting at length: “Although Maudoodi and Qutb were not serious thinkers, they could, at least offer a coherent ideology based on a narrow reading of the Islamic texts. Their ideas, distilled down to Bin Laden, became mere slogans designed to incite zealots to murder.

People like Maudoodi and Qutb could catch the ball and run largely because most Muslim intellectuals did not deem it necessary to continue the work of Muslim philosophers. Modern Muslim intellectuals, seduced by fashionable Western ideologies, left the new urban masses of Islams teeming cities exposed to the half-baked ideas that

political and economic thought. In this context, the September 11 attacks (along with the more general phenomenon of militant Islam) are a demonstration of the consequences of an intelligentsia detaching itself from the culture it is embedded in in its pursuit of universals.

### TEMPORALITY THREE: THE CLASH OF CIVILIZATION TEMPORALITY

The term “The Clash of Civilizations” is associated with Samuel Huntington, who asserted that, following the decline of the ideological clash of the cold war, clashes between civilizations would characterize global conflict. He specifically argued that, as a result of the policies of the IMF, the form the clash would take would pit ‘the west’ against ‘the rest’ (Huntington 2000). “The Clash” was subject to extensive criticism in the American Academia. Huntington’s category of ‘civilization’ was poorly thought out, arbitrary and essentialist. Some argued that the clash argument obscured the emergent consensus around western values. The clash fails to take into account intra-civilizational struggles between those upholding patriarchal, fundamentalist values and forces associated with multiculturalism. A number of authors argue that the present day world is characterized by a single global culture (Meyer et al, Hardt and Negri 2000). Wallerstein argues that the entire world has been incorporated into a five hundred year system, thus obviating the need for civilizational analysis (Wallerstein 2000a: 157).

On the other hand, Giovanni Arrighi et al have argued that the clash has been a significant part of the history of the modern world system. They begin their account in the 1680s, emphasizing that at this point, and for another hundred years, Europeans self-identity was not one of confident superiority over other civilizations. They trace an arc, from this beginning, to a point of maximum European strength (around 1900) to a situation of increasing equality between Western and East (and South) Asian civilizations (Arrighi, Ahmad and Shih 1999). From this perspective, the embrace of hegemonic rationalistic modernity

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Maudoodi and Qutb peddled. In time, Maudoodo-Qutbism provided the ideological topos in which Bin Ladenism could grow.

Now, however, many Muslim intellectuals are returning home, so to speak. They are rediscovering Islam’s philosophical heritage and beginning to continue the work started by pioneers of Islamic political thought over 1,000 years ago. Paradoxically, it is Maudoodo-Qutbism that is now being exposed as a pseudo-Islamic version of Western totalitarian ideologies.” (Taheeri 2002)

by non-Western leaders circa 1945–1960 can be seen as one phase in the gathering strength of non-Western forces. Having learned from, and incorporated valuable principles of the West, they may now begin the process of synthesizing this knowledge with other traditions to produce new visions of (post) modernity.

This strikes us as a useful way to analyze ‘the clash of civilizations.’<sup>20</sup> However, to incorporate the present-day situation in the Middle East, an even longer framework is needed. In a sense, the clash between ‘the West and the rest’ began 1000 years ago, with the first crusades. The crusades were crucial, both as one model of how the West would relate to other civilizations, given the opportunity, and in constituting a Europe-wide identity. “The Crusades concentrated and focused European consciousness and made it aware of its geocultural identity: They inaugurated ‘Europe’... What set the Crusades apart from (traditional European holy wars) was, aside from their scope and magnitude, they were joint efforts which combined the forces of many local princes and that, instead of being aimed at ‘barbarian heathens’ in Europe, the Crusades were directed against infidels of superior civilization outside of Europe...European jealousies of the rich, cultivated, urbanized Byzantines, Levantines, and Moslems played their part in the Crusades.” (Nederveen Pieterse 1989:92–95) The crusaders gathered a transnational army of violent men to launch eastward, driven by their faith that they possessed the only legitimate relationship with God. They succeeded both in defining an expansionary agenda for the west, and securing an expanded arena for (Venetian dominated) trade networks (Tilly 1990:145).

Still, the crusades did not mark the superiority of the West over the East in terms of civilizational achievements (such as levels of economic growth, urbanization, military strength, etc). For hundreds of years, the West’s most fruitful relationship with the Islamic world was that of a student with a tutor. From

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<sup>20</sup> Huntington goes awry in two other significant respects. First, he argues that civilizations are deep rooted structures. Instead, we would argue that they are merely identities, albeit transtatal ones, reconstructed from local cultural materials, no more or less deep seated than ethnicity, religion, nationality, or any other construction of identity. Secondly, he presumes ‘clash’ is the most characteristic relationship between civilizations, whereas a variety of interactions are possible—trade and learning, for example. Nevertheless, allowing for the possibility of the global culture fissuring into relatively separate civilizations strikes us as a richer way of understanding the present than the modernist belief that a global culture of modernity has superseded localized practices. In fact, many localized practices represent the detritus of earlier fissurings of global culture.

Islam the West drew the math that rationalistic modernity would eventually be based on (i.e. algebra). The replacement of the warrior ethic with the performance of status through the consumption of luxury goods was also shaped by Islamic models. Finally, the West's tentative steps toward the sobriety that had long shaped Islam were helped along by the importation from the East of coffee (Schivelbusch 1993:3–22). The influence of Islamic civilization is overwhelmingly apparent in the architecture of Venice, the most prosperous European state of the time.<sup>21</sup>

Nevertheless, when Western expansion began in earnest in the 1500s, the legacy of the crusades weighed powerfully. Figures such as Henry the Navigator and Charles V imagined themselves as the inheritors of the crusaders mantle (see Arrighi 1994, 118). The most dramatic thrusts of these crusaders, and their children, were to the west (the Americas), and later to the East (South Asia) and South (Africa) of the Islamic world, although the expulsion of Islam from the Iberian Peninsula was a contemporaneous element of European expansion. Even as European capitalist-warriors became confident and expansive, Islam remained a military competitor. It did not in fact peak in this respect until the middle of the seventeenth century. Although in a geographic sense a part of 'Europe', during the nineteenth century, the Ottoman Empire was assimilated to a framework of Oriental Despotism said to characterize non-Western civilizations (Said 1978). Like all other non-European areas of the world, it fell behind technologically and economically in the nineteenth century. The Ottoman Empire was partially colonized, and broken up.

After WWII, nationalist efforts to catch up and 'develop' throughout the Middle East were of a piece with those attempted elsewhere in the non-European world.<sup>22</sup> As was true in Latin America and Africa, the US often opposed those progressive nationalist forces whose politics seemed, on the surface, to be closest to the US' own. The tendency to ally with reactionaries took a particularly dramatic form in the Middle East, as some (especially Saudi Arabia) showed only

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<sup>21</sup> William McNeill called his study of Venice "The Hinge of Europe" to capture its significance as a crossroads of Islam, the Latin West, and the Orthodox East (McNeill 1974).

<sup>22</sup> Although the sponsorship of Zionism by various Western powers gave post-World War II Middle Eastern politics a unique character. Elsewhere the West largely abandoned settlement, and insisted it was leading the construction of a post-racial world. In the Middle East, Israel became (and remains to this day) a touchstone of the distinction between the 'west' and the 'rest.'

the most perfunctory interest in the institutions and culture of modernity. Seen from another optic, anti-modern religious reactionaries in the Middle East were able to survive and strengthen themselves through manipulation of a great power struggle peripheral to their own concerns (as demonstrated by the willingness of Bin Laden's forces to readily move from opposing the Soviet Union [with US assistance] to opposing the US).<sup>23</sup>

Since the national developmental project 'unravelling' in the middle of the 70s (McMichael 1996:79–144), there has been a notable divergence in the cultures of the 'third world.' In both the East Asian and Islamic world, civilizational discourses have proven popular, and compete for popular allegiance with cultural models drawn from the repertoire of Western dominated modernity.<sup>24</sup> It is not at all apparent that they refer to deep structural beliefs, as Huntington indicates. But they provide a reference point to connect with the past and regional locality, and to ground action in ways besides the 'world culture' models propagated in the north. Appadurai has noted that Western discourses of democracy and rights have circulated transnationally and been adopted by a variety of actors for their own purposes, Dirlik has noted something similar about the discourse of 'the third world' (Appadurai 1996:36, Dirlik 1998b). Here I am suggesting that Orientalist discourses of 'civilization' may also be employed by actors for purposes different than those for which they were originally developed (also see Dirlik 1998a).

Among East Asians, Huntington's article has actually proven quite popular (Ong 1999:226). Bin Laden, meanwhile, makes his arguments in terms quite similar to those outlined by Huntington. In the East Asian case, cohesion is produced through economic development in the Pacific Rim arena. In the Islamic world, economic forms of cohesion are much more fragile, and one-way to produce that unity is through the production of a militant cause. In the East Asian case, civilizational discourse legitimizes alternative political/economic arrangements and values from those advocated by Western (especially US) leaders; in the Islamic case it legitimizes the creation of an umma that facilitates revolt against the West. These distinctions may, in some cases, reference 'real' cultural

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<sup>23</sup> This raises questions about whether similar dynamics have obtained in other times and places. Has it been a frequent practice of empires to strengthen 'backward' forces in the periphery, only to have them redound on the empire itself?

<sup>24</sup> The rhetoric of civilizational uniqueness, as well as the rhetoric of a coherent 'West' or even 'American culture' does considerable violence to the hybrid reality of all contemporary culture. This does not render it politically irrelevant, however.

differences, while in others they may entail specious exaggeration. The point is that if difference is constantly asserted (and if the political climate allows it to prevail), it eventually becomes reality, as it privileges certain forms of authority over others.<sup>25</sup>

From a long term, civilizational perspective, the significance of September 11 is twofold: first, it represents an ability of a non-western civilization to hurt the West in one of its centers, an event virtually unprecedented in hundreds of years of intercivilizational struggle.<sup>26</sup> Secondly, Bin Laden's Al Qaeda network revives the strategy of the crusades themselves. In other words, he uses religious fury to forge a transnational army, notable for its willingness to attack infidels beyond the Middle East. Befitting the more contemporary period, its members are dispersed in networks rather than marching together. Also befitting the contemporary period, these crusaders have been pulled together not by a coalition of princes, but by a holy warrior with no formal legitimation. In a sense, the ability to produce a crusade has been 'democratized.'

As a result, *the West can no longer take as self-evident that wars concerning the 'third world' will remain there.* Indeed, one can date all the way back to the crusades an effort to resolve the violence endemic to the European world by exporting it elsewhere. For a long time, the impact of this strategy in Europe, which was almost continually at war with itself, was not visible. This strategy first bore fruit by bringing much of the non-Western world under the control of European powers. By the nineteenth century, it seemed an actual success. Most of the wars European powers conducted in the nineteenth and twentieth centuries were fought far from Western Europe. The center of Western power remained largely peaceful. Despite breaking down in World Wars I and II, this policy was continued during the era of US hegemony. Even as the non-Western world sought to incorporate many of the technologies of the modernist west into anti-colonial struggle and the effort of 'development', armed struggles remained in the 'third world.' Now the fights the Westerners have picked have failed to stay

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<sup>25</sup> Post 9/11 politics also seem to be intensifying another civilizational distinction: that between the US and Western Europe. The former increasingly sees itself as non-secular, and willing to engage in military action. The latter also appears to be increasingly distancing itself from 'American' values. The borders of 'Western' Civilization are no more fixed and non-divisible than any others.

<sup>26</sup> This, undoubtedly, is why the attacks were applauded by many throughout the non-Western world, despite American liberals' 'politically correct' claims to the contrary. For an anecdotal survey of non-Western responses, see Ali 2002.

put in the non-western world.

And now a non-Western civilization has adapted the policy of exporting its violence elsewhere. Looked at as a renewal of the crusading strategy, Bin Laden's campaign should not be judged in terms of its ideology or its short-term success or failure. The Western crusades were most notable for their impact on the self-identity of Europe and their creation of an expanded domain for Venetian trade. Bin Laden's crusade may produce similar effects, in the sense that they may generate lasting networks devoted to other purposes besides jihad.

## CONCLUSION

Seen in these three temporalities, the attacks of September 11 can be understood as part of longer-term trends. US hegemony has been eroded by the emergence of supra-national political (EU) and economic (East Asian world economy) actors; it now faces supra-national military campaigns. The plausibility of the modernist promise of security and prosperity through the application of rationality had already lost much ground; on September 11 Al Qaeda attacked it in one of the remaining bastions of modernist optimism. Finally, western power had been eroding for some time before non-western actors were able to take its crusade to Western soil.

These temporalities also allow us to see what sort of challenges need to be confronted in order to reconstruct world order. First, the United States is dwarfed by emergent forces, and cannot be counted on to restore order. Presently, numerous commentators of the right and center debate exactly what the United States should do to impose order on the world. Indeed, it is the only core state willing and ready to act militarily. But a realistic view is that the era of national states, in which the US stood as *primus inter pares* (and the Soviet Union acting as a second-rate version of the same) is over. The US lacks the power to either coerce or convince the new supra and trans-state actors to do what it wishes, and failure to understand this, or to be misled by US triumphs over minor forces such as the Taliban or Milosevic, is likely to exacerbate the chaos. The US could probably slow (although not arrest) its decline by tightening alliances with other core and major semi-peripheral powers, and doing everything in its power to demonstrate its ideological vision of universalist liberalism. However, strong tendencies within the US militate against the likelihood that this path will be chosen.

Secondly, technological strategies built around accelerating the concentration of energy, chemicals, information, etc are likely to also deepen the chaos as these solutions now appear to be booby traps, bombs which can be detonated rather than pillars of order. This lesson will be particularly difficult to learn, as it goes against the most common practice of the scientific professional classes

devoted to solving social problems through the enhancement of technological power. These classes are well entrenched in or near the centers of state power nearly everywhere.

Finally, the possibility that non-Western civilizational identities will be consolidated and deepened in East Asia, South Asia and the Islamic world cannot be ruled out. Such identities would cover sufficiently large demographic and geographic regions that substantial divergencies from late modernity as produced in North America and Europe are a real possibility. They pose challenges different from earlier anti-colonial movements, in that they are being developed by groups with experience with modernity. And they pose challenges different than those of 'multiculturalism' within Western society. The challenges they pose of coexistence are all the more pressing, because, as should be obvious, they can no longer be geographically contained. The prospect of reconstructing world order on terms in which Western leadership is taken for granted appear poorer than ever.

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## BOOK REVIEWS

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Alf Hornborg

*The Power of the Machine: Global Inequalities of Economy, Technology, and Environment*

Reviewed by Mary C. Ingram

Alain Joxe

*The Empire of Disorder*

Reviewed by Omar A. Lizardo

Peter A. Hall and David Soskice, eds.

*Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*

Reviewed by Christopher J. Kollmeyer

Dusan I. Bjelic And Obrad Savic, eds.

*Balkan as Metaphor: Between Globalization and Fragmentation.*

Reviewed by Victor Roudometof

Saul Bernard Cohen

*Geopolitics of the World System*

Reviewed by Eric Slater

Ziauddin Sardar

*Thomas Kuhn and the Science Wars*

Reviewed by Robert Denmark

Leslie Sklair

*Globalization: Capitalism and Its Alternatives*

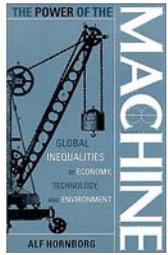
Reviewed by Thomas D. Hall & Erica McFadden

C. Roe Goddard, Patrick Cronin, & Kishore C. Dash, eds.

*International Political Economy: State-Market Relations in a Changing Global Order*

Reviewed by Jonathan C. Woodring

Hornborg, Alf. 2001. *The Power of the Machine*. New York: Altamira Press. 273 pages, ISBN 0-7591-0066-7 cloth, ISBN 0-7591-0067-5 paper.  
<http://www.altamirapress.com>



Hornborg's *The Power of the Machine* offers a rich theoretical analysis of how technology masks the inequalities between nations, humans, and ecosystems within the World System. As a cultural anthropologist, he challenges conventional political economic and sociological perspectives about global underdevelopment. By pushing beyond socially constructed categories of World System inequalities, he uncovers what he calls the "epistemology of exchange." As a truly interdisciplinary writer, Hornborg combines perspectives from natural science, political economy, and cultural anthropology to critique not only global unequal exchange but also the very categories that we, as social scientists, use to analyze such exchange.

Hornborg's primary argument is that machines, or technological development, are reified categories. Furthermore, as reified categories, machines mask the globalization of unequal development and exchange. Thus, machines distort the actual relationships between and among humans and between humans and their environments. With this book, Hornborg dismantles the fetishized concept of the machine.

First, Hornborg critiques the weakness of relying primarily on the social construction analysis of machines. He does this by drawing on the laws of thermodynamics. He demonstrates how machines are specific and tangible mechanisms for draining the natural resources of nations and indigenous peoples. He fully supports his thesis that industry is parasitic on its surrounding ecosystem.

Second, he engages a semiotic analysis of the institutional language that supports the reification of machines. This is another step in showing how machines mask unequal exchange among humans. Parallel with this argument, he presents a fascinating historical semiotic analysis of money. By tracing the legacy of *Spondylus* shells, he argues that money has evolved from a mechanism of local reciprocity to one that perpetuates the distance and anonymity between people and ecosystems. This loss of local reciprocity is crucial in masking the exchange process. As such, it supports alienation from others, the environment, and the self at a global level.

By drawing upon cultural anthropology, he compares the fetishism of the Inca emperor to the fetishism of the modern machine. Through his comparison,

he demonstrates how both are culturally and materially constituted. Like the machine, the office (symbol) and person (materiality) of the Inca emperor was a "concrete reification of a wider system of material exchange" (241).

The last substantive chapter is perhaps the unifying gem of the work. As a case study, Hornborg examines how the Mohawk Warriors, a group of militant Mi'Kmaq activists from the Kahnasatake reserve of Quebec, stopped the Kelly Rock Corporation from building a superquarry at one of the Mi'Kmaq's most sacred sites. Hornborg argues that the Mi'Kmaq effectively shatter the rational language of innovation and development proposed by Kelly Rock. In setting the stage for the study, Hornborg describes the region as one of the poorest in Canada. Further, the governments, both local and national, had a history of welcoming foreign capital into these poor areas for what usually amounted to unregulated resource depletion. Thus, the Mohawk Warriors were not just battling Kelly Rock, they were also waging war with the exchange system itself. According to Hornborg, the Warriors won because they uncovered (and arguably, recreated) the relationships between the Mi'Kmaq people and the sacred site of Kelly's Mountain. The rhetoric of development, new jobs, and the influx of capital was no match for a people reunited not only with each other but also with their environment.

The strength of this book is its interdisciplinarity. One would hope to find an interdisciplinary focus in a volume written by several authors, but one would not expect to find such focus in a single-authored text. In the preface of the book, Hornborg explains that each chapter has been a slow (in this case, 10 years) journey towards an understanding of power and global inequalities. Thus, many of his chapters have been published already. While this in itself is not new, the range of journals that he has published these chapters in is novel. In various forms, pieces of this book have appeared in such diverse sites as *Journal of World-Systems Research*, the *Journal of Material Culture*, and *Anthropological Theory*. The substantive chapters can function as stand-alone pieces from a variety of theoretical perspectives; however, taken as a whole, the book accomplishes its interdisciplinary quest without feeling like an edited volume of collected works.

This book would be appropriate reading for those social scientists, whether anthropologists, sociologists, political scientists, or environmentalists, interested in global studies, Marxist critiques of culture, human-environmental relations, and science and technology studies. As a sociologist with very little background in anthropology and physics, I benefited from the careful explanations of arguments such as how the laws of thermodynamics support theories of uneven development, how the Inca Emperor relates to the modern day machine, and how *Spondylus* shells demonstrate the evolution of capital accumulation. Finally,

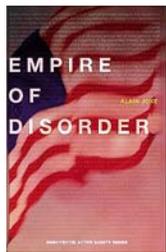
I appreciate Hornborg's two-pronged goal: not only does he demonstrate how technology operates as a mechanism of Western hegemony but he challenges us as social scientists to be wary of the role that we play in analyzing such inequities—to not reify the machine is to call global exchange by its real name: deliberate uneven development.

Mary C. Ingram  
Department of Sociology  
University of California, Santa Barbara  
[mci0@umail.ucsb.edu](mailto:mci0@umail.ucsb.edu)

Joxe, Alain. 2002. *The Empire of Disorder*, New York: Semiotext(e). 221 pages, ISBN 1-58435-016-4 paper. <http://www.autonomeia.org/>

Is there a coherent alternative to the dominance of American global power and neo-liberal hegemony? Alain Joxe in *Empire of Disorder* claims he has indeed found it in what some would consider the unlikely of places: the strong-state republican tradition of European political theory originating with Thomas Hobbes. This project of reclamation for the radical counter-hegemonic side of the most recalcitrant anti-democratic European thinker—save for Edmund Burke—of classical political thought is the most interesting and innovative part of the book. The rest is unfortunately uneven and unsystematic, full of standard anti-American left wing rhetoric with little in the way of the full analysis of international conflict and its relationship to globalization promised in the introduction (the first 75 pages of the book consists of a “dialogue” with Sylvere Lotringer). We do get a lot of empty functionalist talk about how the “balkanization” and “lebanonization” of the south, in the form of permanently stalled states of conflict referred to by Joxe as *frozen peace* (p. 92), serve to secure American power and to mask the true sources of global class conflict in a shroud of ethnic and religious hatred and violence.

The basic analytical strand running through the *Empire of Disorder* can be reconstructed as follows: the global American Empire, in its free-market, neo-liberal guise is the “acentral” manager of the post cold-war global (dis)order. This macro-chaos is characterized by the emergence of geographical zones of anarchy and brutal violence which the U.S. refuses to completely take control of, choosing instead a strategy of “regulation” and indirect management mediated through quick, targeted military strikes and a decentralized web of NGO's that pick up the governance slack in the absence of a clear commitment to reconstruct the



basis of political authority. While the current system limps along in this less than optimal state of affairs, the 9/11 attacks and the end of “new economy” finance bubble point to more ominous possibilities brewing within its interstices: a concentration of military might on a single territory and the digitalization and computerization of violent conflict which lead to war becoming pure technocratic management rather than the Clausewitzian “continuation of politics by other means”.

This is a key component of Joxe's indictment of the current U.S. order. America refuses to truly take command of the global system, in other words it refuses to engage in truly global *politics*, instead taking the cowardly route of *regulation* of disorder, like a technician standing in front of complicated machine and simply turning knobs and switching levers. But this is anathema to Joxe, who is in many ways a 19<sup>th</sup> century romantic cloaked in neo-realist garb. In his view, the essence of war resides in its dose of passion (p. 8): technocratic management of war comes too close to the antiseptic management of death engineered during the Nazi holocaust (p. 10). This banality of American evil, to put it in Hannah Arendt's terms, can only be challenged through a revitalization of the political form most beleaguered by the triumph of global markets and transnational corporations: the nation state. But as Joxe surveys the current global scene, all he sees are nations in crisis. Penetrated and neutralized by mobile capital, the traditional nation state has in this sense forsaken its original compact with its citizen-subjects. This is where Joxe deftly connects his critique of globalization and the decline of the nation-state, which are nothing new, with his radical reading of Hobbes and Clausewitz (chapter 3): he argues that they offer the guidelines to interpret the spate of “dirty little wars” currently littering the international scene as a return to a quasi-state of nature, where the political sovereignty that citizen-subjects bestowed on the nation state during the last 200 years of nationalism's classic phase is being taken back, and gradually devolving into micropolitical individual attempts at re-establishing some semblance of self-protection. This is the *Behemoth* to Hobbes' *Leviathan*: the reverse of the process of subjugation to a central authority. But Joxe (to his credit) does not celebrate this development as some sort of crypto-subversive event. Here his realism triumphs over his romanticism: he views the future well-being of mankind as inexorably tied to politics. And the problem with these new forms of amorphous conflicts that make them even worse than the major European wars of the 19<sup>th</sup> and 20<sup>th</sup> centuries is that they are in essence “non-Clausewitzian” or *not* the continuation of politics by other means, but simply the expression of pure disorder and as such not a bridge between two states but a hellish interlude with no seeming end in sight.

What then is Joxe's solution to this dire state of affairs? Nothing less than the revitalization of the republican form of governance, as exemplified by a

United States of Europe, a true moral and political alternative to U.S.-led global neo-liberalism. Joxe is aware that it is also a possibility that Europe can remain isolated and weak, a second rate core power. In this case, "Europe and its historic citizenship would resemble the Greek city-states under the Roman Empire" (p. 83). This is not an acceptable possibility. Europeans "...now have the new task to choose the form of chaos they prefer and try to achieve by steering away from the form of disorder proposed by 'American'[sic] leaders." (p. 109). Joxe imagines here a true historical paradox: Europe united in a confederacy very much like the United States, but in essence fulfilling what he implicitly perceives as the failed historical role of the latter. A United States of Europe would thus be a true global example of responsible democratic government that would be able to live up to article 10 of the 1793 declaration of human rights as drafted by Robespierre and quoted on page 113: "Society is obliged to guarantee the subsistence of *all its members*, either by procuring them work or by ensuring that those who are unable to work have the means to exist." The continental tradition of an active, strong state is transformed in Joxe's view to a truly subversive and counter-hegemonic possibility against the U.S.-led global (dis)order.

In the end, this is the weakest (because it is the most ideological) part of Joxe's argument. He wants to pour the new wine of hyper-globalization into the old cask of French social democracy, this time blown up to (sometimes blindly Europhilic) continental size. This is fine as a utopian possibility, but it stands about the same chance of happening as the United States falling under the throes of techno-military fascism. The connection to Hobbes and Clausewitz, while theoretically intriguing, does not in any way remedy the weakness of the original contention. Chapter 4, "Violence and Globalism", in which he tries to add some current theoretical strands to his arguments by differentiating between "logistical" (economically intensive) and "predatory" (militarily intensive) empires, owes a lot to Arrighi's (1994) classification of the two logics of accumulation (MCM' and CMC') but in classic French intellectual fashion, citations to other contemporary authors in sociology and political science are absent, and the discussion does not connect with the other parts of the book.

In the end, the book suffers from one even more basic conceptual flaw: the United States is invariably seen as an all powerful evil, able to orchestrate and twist all events and occurrences in the international arena in its favor. But global conflict and disorder may be as much a consequence of U.S. *hegemonic decline* (Bergesen and Lizardo, 2003) as they are an aid to American global dominance. In fact, the perception of unbridled empire may be all that is left after hegemony. But in Joxe's Eurocentric imaginary American weakness is unthinkable: the evil empire across the Atlantic is now stronger and more menacing than ever.

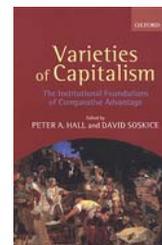
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Omar A. Lizardo  
 Department of Sociology  
 University of Arizona  
 Tucson, Arizona 85721  
[olizardo@email.arizona.edu](mailto:olizardo@email.arizona.edu)

Hall, Peter A. and David Soskice, eds. 2001. *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press. 540 pages, ISBN 0-19-924775-9 cloth, ISBN 0-19-924775-7 paper. <http://www.oup-usa.org/isbn/0199247757.html>

Compiling the diverse works of 16 authors into one edited volume, *Varieties of Capitalism* makes a valuable contribution to the growing literature on comparative political economy. In the introductory chapter, Hall and Soskice advance the volume's primary theoretical framework, namely that two distinct forms of capitalism operate across the advanced capitalist countries. At the center of their analysis lies a core question in macroeconomics: how does a complex economy successfully coordinate the diverse activities of myriad firms and other economic actors? A country's answer to this question, the authors contend, identifies its prevailing form of capitalism. In the "liberal market economies" (LMEs) of the Anglo-dominated countries, free-market competition, producing equilibrium between supply and demand, coordinates most economic activity. Generally this arrangement creates an economy characterized by flexible labor markets, heavily capitalized stock markets, high levels of income inequality, and minimal state involvement in the economy. Conversely, in the "coordinated market economies" (CMEs) of eastern Asia and northern Europe, prominent non-market institutions resolve many important coordination problems. Under this economic system, what the authors call "deliberative institutions" provide regular opportunities for major economic actors—such as corporations, labor unions, banks, and the state—to collectively negotiate agreements on many core



economic issues, including but not limited to prices, wages, working conditions, and vocational training standards. Generally this arrangement creates an economy characterized by highly regulated labor markets, powerful banks with close ties to industry, low levels of income inequality, and moderate state involvement in the economy.

After this theoretical introduction by Hall and Soskice, the volume's other contributors apply the distinction between liberal and coordinated market economies to a range of substantive issues. Listed in order of their appearance, these chapters cover the following subjects: (1) labor politics, (2) monetary policy and wage/price bargaining, (3) social protection and vocational training, (4) corporate strategy and social policy, (5) Maastricht negotiations, (6) labor market policy, (7) decentralized cooperation, (8) vocational training reform, (9) corporate governance, (10) strategic management, (11) corporate strategy and contract law, (12) comparative law, and (13) product standardization. Despite their substantive differences, these chapters share a common theoretical perspective, one that the authors call the "varieties of capitalism approach." As a result, the individual chapters have a theoretical cohesiveness that most edited volumes lack.

Importantly, the varieties of capitalism approach provides useful insights into several debates in the globalization literature. For instance, some recent scholarship on globalization suggests that, in order to maintain and attract mobile capital in an era of global market integration, national policymakers must roll back economic regulations. Ostensibly, as economies worldwide move towards freer markets, the policy regimes of individual countries will converge around a single neoliberal model. While this theory seems plausible, the varieties of capitalism approach suggests otherwise. Instead of convergence, several authors in the volume contend that globalization will likely solidify existing cross-national differences in welfare states and regulatory regimes. Specifically, they show that by creating important comparative advantages in international trade, coordinating institutions can become valuable sources of national economic competitiveness. For this reason, it is reasonable to assume that policymakers in many countries will seek to strengthen their economy's coordinating institutions, not weaken them, an outcome that works against convergence.

Similarly, the varieties of capitalism approach helps elucidate the logic behind prevailing patterns of foreign direct investment. Over the last few decades, a variety of scholars have argued that in an effort to reduce labor costs, firms in the advanced industrial countries will increasingly relocate their routine manufacturing activities to low-wage regions of the world economy. But, as some of the authors point out, this strategy may be counterproductive for many firms. Since firms can derive important competitive advantages from the coordinating

institutions in their home countries, many corporate managers may be reluctant to exchange these advantages for the benefits of low-wage foreign labor. Importantly, the distinction between liberal and coordinated market economies affects this trade-off. For example, firms operating in CMEs, especially those firms organizing their business models around non-market coordinating mechanisms, face limited opportunities to relocate manufacturing activities abroad, because most less developed countries cannot meet their non-market infrastructure requirements. Conversely, since many firms in LMEs have built their core competencies around flexible regulatory regimes, the typical business environment in a less developed country compliments their strategic objectives. For these reasons, the authors contend that firms located in LMEs are more likely to locate manufacturing activities abroad than firms located in CMEs.

While offering new perspectives on many issues within comparative political economy, the scholarship in *Varieties of Capitalism* has several limitations. First, due to its emphasis on the firm and the institutional sources of competitive advantage, this perspective on comparative political economy, in my opinion, will be most useful to social scientists working in the fields of economics, strategic business management, and industrial relations. Other social scientists will likely find similar works—such as Gøsta Esping-Andersen's *The Three Worlds of Welfare Capitalism* and Geoffrey Garrett's *Partisan Politics in the Global Economy*—more useful for their research agendas. Second, with other scholars positing similar typologies of advanced capitalism, it seems that the authors could have more thoroughly related their ideas to the existing literature. For example, despite their similar topics, the two books on comparative political economy mentioned above receive only scant attention. Third, given the theoretical importance the authors place on coordinating institutions, more attention should have been given to the complex reasons why these institutions vary across advanced capitalist countries. In their sixty-eight page introduction, which constitutes the volume's only theoretical treatment of the varieties of capitalism approach, Hall and Soskice spend less than two pages on this important question. And, besides its brevity, their discussion mentions only one explanatory variable—"informal rules" arising from a country's unique culture and history. Surely, several other factors, such as class conflict and the structure of domestic political institutions, contribute to cross-national variation in coordinating institutions. By avoiding this important issue, the volume disparages its potential theoretical contribution to the study of comparative political economy. Nonetheless, *Varieties of Capitalism* is an important and impressive book, one that merits the attention of scholars researching a number of issues within the fields of comparative political economy and strategic business management.

Christopher J. Kollmeyer  
 Department of Sociology  
 University of California, Santa Barbara  
[cjk0@umail.ucsb.edu](mailto:cjk0@umail.ucsb.edu)

Bjelic, Dusan I. and Obrad Savic (eds.). 2002. *Balkan as Metaphor: Between Globalization and Fragmentation*. London, England and Cambridge, Massachusetts: The MIT Press. 382 pages, ISBN: 0-262-02524-8 (hc). <http://mitpress.mit.edu/>

In the conclusions of my *Nationalism, Globalization and Orthodoxy: The Social Origins of Ethnic Conflict in the Balkans* (Westport, CT: Greenwood, 2001), I point out that “in exorcising the Balkans, Western commentators exorcise principles of ethnic difference they consider illegitimate in their own societies,” thereby turning the Balkans into “an area of domestic ideological contestation in the US and Western Europe” (p.239). This process operates through Balkanism—an ideological discourse about the Balkans that is in many respects similar to Orientalism. Perhaps the most important contribution of this volume is refining our understanding of Balkanism, a concept originally developed by Maria Todorova in her groundbreaking 1997 book, *Imagining the Balkans* (Cambridge: Cambridge University Press). The issue at hand is the extent to which Balkanism is a sub-species of Orientalism or whether it is an autonomous concept, related but conceptually distinct from Orientalism.

Most of the authors of this volume consider Balkanism an autonomous concept, hence the purpose of the collection is to explore its dynamics: Is it the same or different from Orientalism? How does it operate both in the region and in the West? What is its connection to local national identities? How does it color the expert and journalistic or popular understandings of Balkan sexuality and art? In order to unpack these issues, the volume is organized into fourteen chapters (grouped into three parts) plus an introductory essay by Dusan Bjelic. Bjelic’s essay provides a solid overview of the volume’s main themes and pulls together the various threads explored by the authors in their individual chapters. Below I provide brief accounts of each section, with more elaborate discussions of those essays I feel warrant special attention. Space considerations prevent me from providing full summaries of all the essays.

Part I addresses the conceptual issues of bias in Western discourse, thereby concentrating on locating Balkanism between Orientalism and Occidentalism. Vesna Goldworthy’s chapter provides a brief overview of the ways public policy and cultural discourses have used the “Balkans” to invoke images of barbarism,

inferiority, primitivism, chronic warfare, and so on. The chapter does not break new conceptual ground, but it is a useful introduction for a general academic audience. Tomislav Longinovic’s chapter continues along the same lines by describing the uses of the image of Vlad Dracul Tzepesh in the construction of the modern-day fable of Count Dracula. Longinovic masterfully reveals the subterranean ties between this popular image and the “exotic” nature of the “Balkans.” Milica Bakic-Hayden’s chapter aptly captures a main thread that runs across the volume: She asks rhetorically “What’s So Byzantine About the Balkans?” and proceeds to enumerate the biases and errors in Western discourse about Byzantium. Again, the essay does not include fresh material, and I should point out that serious Byzantine scholars are aware of the inaccurate stereotypes of Byzantium in the West, but such knowledge is lacking even among North American academics; hence, this brief overview is particularly useful to a non-specialist audience.

For me, the most interesting chapter in the entire volume is Rastko Mocnik’s essay on “The Balkans as an Element in Ideological Mechanisms.” The author sets out to challenge Todorova’s thesis that the “Balkans are the Ottoman legacy” by exploring the ways Balkanism operates within the context of the ideology of neo-liberal “globalization.” Mocnik persuasively argues that public discourse on the Balkans is structured along two main lines: First, there is a horizontal antagonism among the Balkan nation-states and ethnic groups; and second, there is a vertical system of co-operation between each of these groups or states and the EU. Having argued against Todorova’s thesis on world-historical grounds (Roudometof 2001:239), I admit to being a partial critic. But, I believe that Mocnik’s interpretation allows us to avoid a return to the usual “blame game” of Balkan cultural politics (whereby everything bad in the region is attributed to the four centuries of Ottoman control). Instead, we can move toward accounts that examine the way Balkanism shapes domestic politics, cultural production, and international relations both in the region and throughout Europe.

Part II explores the tensions brought into the local national identities by the application of a derogatory term (i.e., “Balkan”) throughout the region, as well as the different strategies articulated by local intelligentsias and diplomats eager to disassociate themselves from the “Balkan” label. In an insightful, masterfully written essay, Alexander Kiossev provides a fascinating picture of the *homo baklanicus*—a cultural species that every “Balkanian” tries hard to conceal within himself; yet the harder the effort, the easier it is for the “Western” outsider to recognize and identify. Both Kiossev’s (and Vlaisavljevic’s) chapters explore the degree to which the Balkan people actually form an ethnically or ethnic community (in Anthony D. Smith’s original meaning of the term). Of course, as Cioroianu’s chapter aptly demonstrates, this is not the type of news one should rush to



deliver to the Balkan peoples themselves. For, in the Balkans, everyone wants to be part of “Europe” while simultaneously wishing that one’s neighbors would eternally be condemned to be “exotic” non-Europeans, unworthy of membership in the EU club. Cioroianu explores the specifics of the Romanian experience, where this strategy has been pursued with particular stubbornness (albeit with limited results).

Part III explores issues of sexuality and art, including solid analyses of the biases in Western accounts of Serb “genocide” and “rape.” Arsic’s essay explores dimensions of Serb sexuality and its connection to politics; while, in a penetrating article, Bjelic and Cole deconstruct the Western portrayal of Serbs as “macho rapists” who grew up on pornography and used rape as an instrument of male domination. Finally, Gourgouris’ chapter includes a well-written analysis of the relationship between music and cinematography.

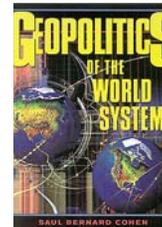
Overall, this volume is a significant contribution to the scholarly debate on the nature of Balkan identity. There are four major points of contention. First, with the exception of two or three chapters, most of the material is not advancing new arguments but rather reproduces information that should be familiar to Balkan specialists. Second, despite the volume’s subtitle, there is very little in the majority of the individual chapters that actually confronts the topic of globalization. Third, there is insufficient attention to the world-historical dimension of Balkanism. In fact, in my own work, I have addressed the connections between world-historical globalization and the production of national rivalries in the region. Consequently, I was looking forward to a volume that would actually elaborate the complex local-global relationships between the region and the modern world-economy, the contemporary cultural industries, and regimes of global governance and regulation. Fourth, the authors maintain a strict regional focus, thereby restricting the applicability of their analyses to the Balkans alone. But is it the case that Orientalism or Balkanism are cultural phenomena unique to the Arab world or the Balkans?

Despite these shortcomings, I highly recommend this volume to cultural studies scholars, political scientists, geographers, international relations specialists, social theorists, anthropologists, and other cultural workers. This volume is a useful guide for the North American academic audience.

Victor Roudometof  
 Department of Sociology and Gerontology  
 Miami University  
 Oxford, OH 45056  
[roudomv@muohio.edu](mailto:roudomv@muohio.edu) & [roudometof@aol.com](mailto:roudometof@aol.com)

Cohen, Saul Bernard. 2003. *Geopolitics of the World System*. Lanham, Boulder, New York, Oxford: Rowman & Littlefield Publishers, Inc. 435 pages, ISBN 0-8476-9906-4, cloth, ISBN 0-8476-9907-2 paper. <http://www.rowmanlittlefield.com/>

Since the shifts of more than a decade ago, efforts to spell out the new structure of world politics have multiplied. *Geopolitics of the World System* is distinguished from other contributions by its geographical perspective. Cohen was editor of the *Columbia Gazetteer of the World* and the *Oxford World Atlas*. He is also known for a text on geopolitics in the early 1960s, *Geography and Politics in a*



*Divided World* (1963). The two orientations—reference and analysis—do not always cross-fertilize, and lead to frequent difficulties in pinning Cohen down; the deployment of a battery of terms and distinctions enhances this elusive quality.

The primary units of GWS are rooted in regional political geography rather than cultural complexes or economic regions. The importance of such configurations resulted from the diffusion of world power after the cold war. In this view, the current geopolitical arena is multipolar, consisting of five first-tier powers: the United States, the European Union, Russia, China, and Japan. On the second tier, there are 21 regional powers, ranging from Canada to Indonesia. Below this tier, defined by a decreasing magnitude of reach and influence relative to the major powers, there are four more. The hierarchy does not possess a strictly unidirectional power structure. Cohen cautions: “In assessing the strategic importance of states, policy makers need to recognize their appropriate levels of power, still keeping in mind that lower-order states are capable of upsetting the system by serving as terrorist bases. (46)” In fact, the War on Terrorism is often adduced in support of the claim that an emergent coalition [among the great powers] is the linchpin of geopolitical stability.

This purported equilibrium does have a significant fault line, which Cohen dubs the Shatterbelt: regions that are not organized by a major power and are in fact sites of competition and conflict between first-tier powers. At present, only the Middle East merits this appellation, though Eastern Europe, the Caucasus and Central Asia are all possible shatterbelts. These three areas, roughly contiguous, could potentially be one great shatterbelt. In Cohen’s assessment, global stability requires cooperation among the major powers, with the US taking the lead as the first among equals. What this means for the Middle East, besides some fairly mainstream US positions, is unclear.

There is, however, more to the book than a multilateralist view. GWS asserts the important role of geography, setting out on a vast project of classification. The reader is introduced to a myriad of geographical and political terms and distinc-

tions: the geostrategic realm; the geopolitical region; Shatterbelts; Compression Zones; Gateways; Maritime Settings; Continental Settings; as well as geopolitical features (historic or nuclear cores, ecumenes, effective national territory, effective regional territory, empty areas, boundaries, and nonconforming sectors). The conceptual inventory strives to be exhaustive, but does not consider novel spatial properties like time-space compression, the space of flows represented by world financial markets, or the military absorption of the digital revolution.

Some of the conceptual foundations are questionable, in particular, the claim of a diffusion of power among the five centers (probably six, since India, according to Cohen, is fast moving up to the first-order tier of world powers). The case for relative parity, a far from obvious certainty, is never made. This reflects a larger problem in portraying the interplay of power and geography. By containing geopolitical entities in their respective spatial environments, issues of unequal reach and influence do not receive the requisite attention. For example, the geostrategic realm of the US consists of the North Pacific and North Atlantic but not the Middle East. It is not clear why US relations with Israel, Egypt, Turkey, the GCC (Gulf Cooperation Council), and the overall militarization of the Persian Gulf are not sufficient for inclusion of the Middle East in the US's geostrategic realm. This reflects an over-projection of a plate-like model onto the social world in which contiguity over-determines any other logic. In other words, the traditional world region is positioned as the defining fact of geopolitics, thereby obscuring important asymmetries in world power.

Beyond any analytic shortcomings the book has a lot of useful information. A thirty-three page index, along with twenty maps, facilitates easy use. Additionally, there is a fascinating chapter devoted to major thinkers in the field of geopolitics: Friedrich Ratzel; Halford Mackinder; Alfred T. Mahan; Rudolph Kjellen; and Karl Haushofer. No region is left unexplored; Sub-Saharan Africa and South America, the two regions that seem to be excluded from the first-tier, are grouped into a "Quarter Sphere of Marginality." It is most insightful when describing the geographical features of regional variation.

Lastly, the use of the term world system bears no substantive connection to the world-historical approach of the same name. A jumbled description of Wallerstein's ideas is included largely to discredit the economic approach to international relations. There is no treatment of great power cycles or the application of theories of capitalist development to international relations. The viability of the interstate system is not in question. While the geographical perspective is useful, the book would have benefited from a closer engagement with issues of institutional change. Ultimately, it may be more useful as a reference text than a work of global theory.

Eric Slater  
Department of Sociology and Anthropology  
Manhattanville College  
[slatere@mville.edu](mailto:slatere@mville.edu)

Ziauddin Sardar. 2000. *Thomas Kuhn and the Science Wars*. New York: Totem Books. 76pp. ISBN 1-84046-136-5 paperback.

Postmodern moves raise hackles in many quarters, but nowhere more than among students of the hard sciences. Science maintains a special status in modern western society. Its more strident supporters claim it to be value free and driven by nothing less than the infallible taskmaster of absolute truth. Science is what the enlightenment was all about, and its many gifts to society are said to warrant unquestioning support in return. In response, postmodern students of science offer a litany of criticisms, from the rejection of the existence of the very truth science claims to seek, to charges of gender, racial, national and religious chauvinism.



After 80 years of sometimes-arcane debates, the battle culminated in 1995 with the publication of a special issue of *Social Text* on 'Science Wars'. Edited at Rutgers and published at Duke, the impeccably credentialed culture studies journal was preparing a response to recent volumes with titles like *Higher Superstition: The Academic Left and its Quarrels with Science* and *The Flight from Science and Reason*. Within its pages, however, was a landmine written by physicist Alan Sokal titled "Transgressing the boundaries: towards a transformative hermeneutics of quantum gravity." The article was a bushel of purposely silly or meaningless phrases cobbled together as a parody of critical science studies. Its publication, trumpeted in Sokal's subsequent 'tell-all' interviews, was cheered by the hard science community as proof that its critics were frauds and charlatans who were beneath contempt.

Sardar is clearly a critic of the overblown truth and neutrality claims of traditional science, but he readily acknowledges that "Sokal's hoax proves what many scholars suspected: cultural studies has become quite meaningless, and anyone could get away with anything in the name of postmodern criticism." Sardar retorts that cultural studies' obvious failure does not mean that traditional science is automatically correct. This exceptionally short book (part of a well-conceived series edited by Richard Appignanesi) is a marvelously clear and balanced review of the most recent twists and turns in critical science studies. A quick consideration of early, multi-volume attempts to shine some light on the

social context of science by Bernal and Needham help introduce the major section of the book on Thomas Kuhn's 1961 *The Structure of Scientific Revolutions*. Kuhn generated tensions of various sorts, and Sardar reviews his intellectual background, critiques from supporters and detractors, and the impact of his work on the course of the debate.

Shorter discussions of the inputs of Popper, Feyerabend, Lakatos, Latour and proponents of the Edinburgh School's 'Strong Programme' prove remarkably readable and illustrate the parameters of the debate in a helpful manner. As counter-position after counter-position falls prey to some logical or methodological weakness or another, the proponents of traditional science steadfastly refuse to budge. Continued claims of neutrality and rationality and truth offered by traditional science fail to bend to evidence of the rather obvious suggestion that science, like every other social activity, is vulnerable to social pressures both subtle and otherwise.

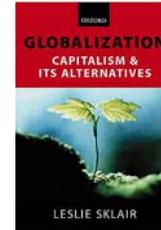
The final section of the book considers charges of masculinist and eurocentric biases. Once again the author provides a concise and interesting review of complex material. Feminist criticisms prove rather correlational, though enough so that further review seems more than warranted. Sadar's own deep knowledge of science in Islamic regions gives charges of an inherent and debilitating ethnocentrism real gravity and tempts the reader to search the bibliography for more material.

The book is short enough to finish in an hour, and given the role of science and technology in the current world (with recent charges of financially driven results, cloning, stem cell research, patenting genetic codes, genetically modified crops, organ harvesting), this is an excellent primer on the issues that drive a crucial debate on the subject. It is also evidence of an interesting palliative to the utter delegitimation that postmodern studies of science suffered in the *Social Text* fiasco. Instead of being assaulted by confusing verbiage and impenetrable grammar, the reader is treated to a lucid review of the qualms that postmodernists, among others, should have with traditional claims about science. Postmodernism shows some analytical strength, and the reader is rewarded with insights that are useful from a variety of perspectives.

Robert Denmark  
Department of Political Science & International Relations  
University of Delaware  
[denemark@udel.edu](mailto:denemark@udel.edu)

Sklair, Leslie. 2002. *Globalization: Capitalism and Its Alternatives*. Oxford: Oxford University Press. 372 pages. ISBN 0-19-924744-7 paper. <http://www.oup-usa.org/isbn/0199247447.html>

Readers familiar with Leslie Sklair's approach will not find a great deal new in this book in terms of his overall analysis of globalization. What they will find, however, is a more nuanced, better explained, and very readable account of globalization and the possibilities of some sort of socialist alternative, meaning a globalization that seeks to fulfill human needs.



The book is organized into twelve chapters. The opening chapter focuses on the issue of the global, and reducing state centrism in the analysis of the global, and introduces Sklair's unholy trinity: economics in the form of transnational corporations (TNCs), politics in the form of transnational practices (TNPs) and the transnational capitalist class (TCC), and culture in the form of culture-ideology of consumerism. This unholy trinity dooms capitalism to ultimate failure on the twin hazards of increasing inequality and environmental instability. Chapter two furthers the process of "thinking about the global" by analyzing various concepts and measures of globalization. Sklair is especially good at unpacking how virtually every measure of globalization is theory-laden, not theoretically neutral. His solution is to emphasize explicit awareness of these biases and keep them in mind when examining global processes.

In the third chapter he examines competing conceptions of globalization: world-systems, global culture, global polity, and global capitalism. His approach is refreshing. Rather than bashing all other conceptions unmercifully, he underscores what they do explain and begins to synthesize them. Interestingly, he finds world-systems analysis to be the most useful of these accounts, but finds it somewhat lacking in politics and ecology and seriously flawed with respect to culture. Not a novel critique, by any means. Still, his subsequent discussions are suggestive of ways world-systems analysis might dig further into these areas. He then delineates the polarization and ecological unsustainability crises in detail.

The beginning chapters are a bit dry, yet provide the initial vocabulary needed to introduce these topics to undergraduates clearly. He critically analyzes various theories and methodologies and highlights the negative and positive aspects of each. In so doing, Sklair establishes trust and reliability with undergraduate readers, because while he argues for his own theory he identifies the strengths as well as the weaknesses of other theories.

The next chapter is devoted to TNCs, their histories, their processes, and especially the damage that they do to human societies. His comments on Enron

are especially telling, given that they were written before the 2002 round of scandals broke. He follows this with detailed discussions of transnational practices, by describing how globalization works through economics, politics, and culture-ideology. He is careful to note that description is not explanation. However, when wedded to accounts of the transnational capitalist class and the culture-ideology of consumerism he begins to build a theory. By saturating and dominating the media, bombarding everyone with seductive calls to consumption and blocking out any alternative explanations, the culture-ideology of consumerism and capitalism becomes hegemonic in the Gramscian sense.

Sklair then takes this analysis to the third world and shows how and why these same practices, many of which can be seen to make some sense in the developed world, have serious deleterious consequences in the third world. Again, there is not much that is startlingly new here, but it is very clearly described and connected to first world practices. He traces the development of global agribusiness with some close attention to gender differentials that harm women.

From this he turns to a detailed discussion of consumerism, noting how the goal of all media and advertising is to promote consumption. He cautions against conflating consumerism with Americanism, even though in many cases they do coincide. Still, all soap operas promote consumption. The most engaging parts of this chapter are the discussion of baby bottle feeding controversy surrounding Nestle Corporation, the analysis of medicine production, the global cola wars, and issues of smoking.

Chapters 8 and 9 examine the impacts of capitalist globalization on the formerly socialist world. First, he examines sub-Saharan Africa and the old second world. He argues that globalization transformed the old second world into a new second world. Not formally communist, but not yet fully capitalist, and in most cases suffering consequences that linger from the Cold War era. Sklair then turns to a discussion of China, examining rising class formation inside this still nominally socialist state, and the increasing role of the culture-ideology of consumerism. In these two chapters Sklair is making several points. First, a familiar argument, that they were in some sense destined for failure precisely because they were embedded in a capitalist world. Second, and far more important, we can learn from their few successes and many failures how to, and how not to, pursue a socialist alternative to global capitalism.

Chapter 10 turns to the challenges to global capitalism. Just when it seems nothing can or has stopped the capitalist juggernaut, Sklair shows how people have, indeed, resisted. He begins with an account of blocking the Multilateral Agreement on Investment, then turns to discussions of the green movements, women's movements, and human rights movements. His discussion of the "battle in Seattle" highlights many of the issues he raises in this chapter.

The penultimate chapter presents Sklair's plan for a transformation to socialist globalization. It hinges the strategy on expanding the human rights argument to include economic human rights. He notes for any movement to work it must be nonviolent, not only for principled reasons, but because capitalists control virtually all the weapons. The final chapter ties it all together in a neat package.

The book and the argument are persuasive. But as one probes, prods, and pushes, one begins to see it as maybe a bit too pat. It is less realistic than Boswell and Chase-Dunn about the prospects of capitalism to fight back (*Spiral of Capitalism and Socialism*, Lynne Reiner, 2000). It is a bit too heavy on the newness of all this. Globalization has gone further and is proceeding faster than ever before, but it has occurred throughout the capitalist era.

Sklair's strength is in his explanations and examples, both in the text and visually through the charts and illustrations. Each example draws upon aspects of life that most students are able to identify with and understand. Each example thus pulls the student into a new and deeper level of understanding globalization, and distinctly shows how the students may or may not be contributing to globalization themselves. The charts and diagrams underscore the text and reinforce the complex arguments for students. The book is effective for the study of globalization at the undergraduate level because it addresses several different learning styles.

Although many world-systems analysts will find parts, and even the whole, worthy of counter argument, Sklair's insistence on a global perspective is welcome. He argues that the state remains far too central in social science thinking about contemporary society. Yet Sklair does not advocate ignoring the state. Rather, he seeks to emphasize the emergence and growing power of transnational, that is, global, practices, classes, and organizations in contemporary society, politics, economics, and culture. Failure to attend closely to these powerful globalizing forces dooms any social analysis to the dust bin. Sklair also argues that global capitalism has improved the lives of some humans. For him a key issue is how to preserve and spread those gains while minimizing the harms. Though not novel ideas to world-systems analysts, *Globalization: Capitalism and Its Alternatives* adds clarity and potency to such arguments.

Thomas D. Hall  
Department of Sociology and Anthropology  
DePauw University  
[thall@depauw.edu](mailto:thall@depauw.edu)

Erica McFadden  
DePauw University  
[emcfadden@depauw.edu](mailto:emcfadden@depauw.edu)

Goddard, C. Roe, Patrick Cronin, & Kishore C. Dash, eds. 2003. *International Political Economy: State-Market Relations in a Changing Global Order*. Boulder, CO: Lynne Rienner Publishers. 507 pages, paper, ISBN 1-58826-097-6. <http://www.rienner.com/viewbook.cfm?BOOKID=1339>



This collection is an attempt to orient undergraduates to the complex and dynamic field of international political economy. It seeks to expose students to the theoretical origins of many of the dominant perspectives in the field, while at the same time attending to contemporary manifestations of the different approaches to international political economy. After reading the book, students should be familiar with not only the foundations of the various perspectives, but also how these perspectives attempt to make sense of many of the current issues that dominate this ever-expanding field. Pieces on the emergence of the Euro, the financial crisis in East Asia, and the continuation of debates surrounding “globalization” and the sovereignty of the nation-state are all welcome additions to the second edition. Much has changed in the global economy since the publication of the first edition in 1996—from the Asian financial crisis to the emergence of the Euro as a common European currency—and the editors have clearly made a conscious effort to not only document these developments, but also provide alternative interpretations of them.

The book is divided into six parts, some of which are much more useful than others. The first section is arguably the most effective. Following introductory chapters by Gilpin and by Frieden and Lake which introduce the central concepts, tensions, and unique questions of international political economy, “the three major perspectives” of “liberalism, economic nationalism, and structuralism” (p. 2) are presented. All of the sub-sections in this part are replete with excerpts from Smith, Hamilton, and Marx, respectively, as well as recent theoretical contributions and pieces that provide a glimpse into the contemporary debates, albeit debates that ignore the world-system perspective for the most part. Unfortunately, the presented selections lack a more thorough grounding in the overall debate to which they contribute. Such an orientation seems necessary if students are to truly understand the context of the various articles.

The second part of the volume concerns itself with the international monetary regime and the extreme effects of “globalization” on capital markets and traditional state-market relations. The IMF is introduced in this section, albeit uncritically, and the monetary integration of Europe via the introduction of the Euro is outlined. Development and World Bank are the focus of the third section, in which the Bank is looked at in both a positive and negative light. The

chapter by Charles Gore is the only one in the section that does not deal specifically with the World Bank and is (unusually) helpful in recasting the evolution of the development debate over the years, providing a context for his own argument. Part 4 deals with the dynamic nature of international trade relations in the context of increased economic integration and regionalization. The two chapters in the section complement one another, as the first looks at the changes in trade relations from the perspective of core countries, while the latter focuses on recent alterations in relations and their consequences from the perspective of peripheral nations. The transnational corporation is the subject of Part 5. Given the staggering scope and influence of TNC’s in the contemporary world system, as well as the overwhelming amount of controversy they have generated in the field, it is curious that only two chapters are allotted to an analysis of the TNC. The book concludes with two articles: one by Hilary French on the emergent connection between “globalization” and ecological destruction, the second by Susan Strange documenting the utter failure of the state system to deal with the social and environmental dislocations associated with the injurious effects of unrestrained market forces.

While the majority of the articles were not specifically written for the volume, the editors do a nice job of selecting relevant material, presenting a collection that is relatively well organized by theme and succeeds in introducing some of the major issues of contention in the field. Some of the articles are much more accessible than others for an undergraduate audience however. As such, many of the selections would need to be complemented by thoughtful instruction and substantial amounts of in-class discussion. The issues covered are contentious enough that fruitful in-class debates would be possible given the appropriate guidance and explication. The jargon evident in the collection, while unavoidable, will likely need to be clarified if it is to be successful in reaching the targeted undergraduate audience. In addition, the sheer length of the volume might well dictate being selective in assigning the material.

But while the collection certainly has its strengths, it may well err on the side of attempting too much depth in places at the expense of omitting key issues and perspectives. Race and gender and their connections to international political economy are completely absent in the volume. Given that the field of international political economy is inherently interdisciplinary, the relative omission of the contributions of sociologists is particularly troubling. This leads to the relative neglect of and disregard for the world-system perspective in challenging the paradigmatic discourse on international political economy. While present in the first edition, the chapter from Wallerstein elaborating the differences between world-systems and dependency theory is curiously absent in the second. And while the excerpt from Amin’s (1997) book is present, both the editorial caveat

and the devotion of a mere 10 pages of a 500-page volume demonstrates the credence the authors grant the perspective. While this detracts from the overall scope of the collection, supplementary material could certainly be used to fill in the theoretical gaps that are present.

Jonathan C. Woodring  
Department of Sociology  
University of Massachusetts, Amherst  
[jwoodrin@soc.umass.edu](mailto:jwoodrin@soc.umass.edu)