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### Late Globalization: The Early Twenty-First Century

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This chapter discusses developments in the first decade of the twenty-first century, and [Chapter 20](#) uses the comparative world-systems perspective to consider possible scenarios for the next several decades. This chapter considers major emergent challenges, another world revolution, the global class structure, and similarities and differences between the late nineteenth century and the early twenty-first century.

#### Major Challenges of the Twenty-First Century

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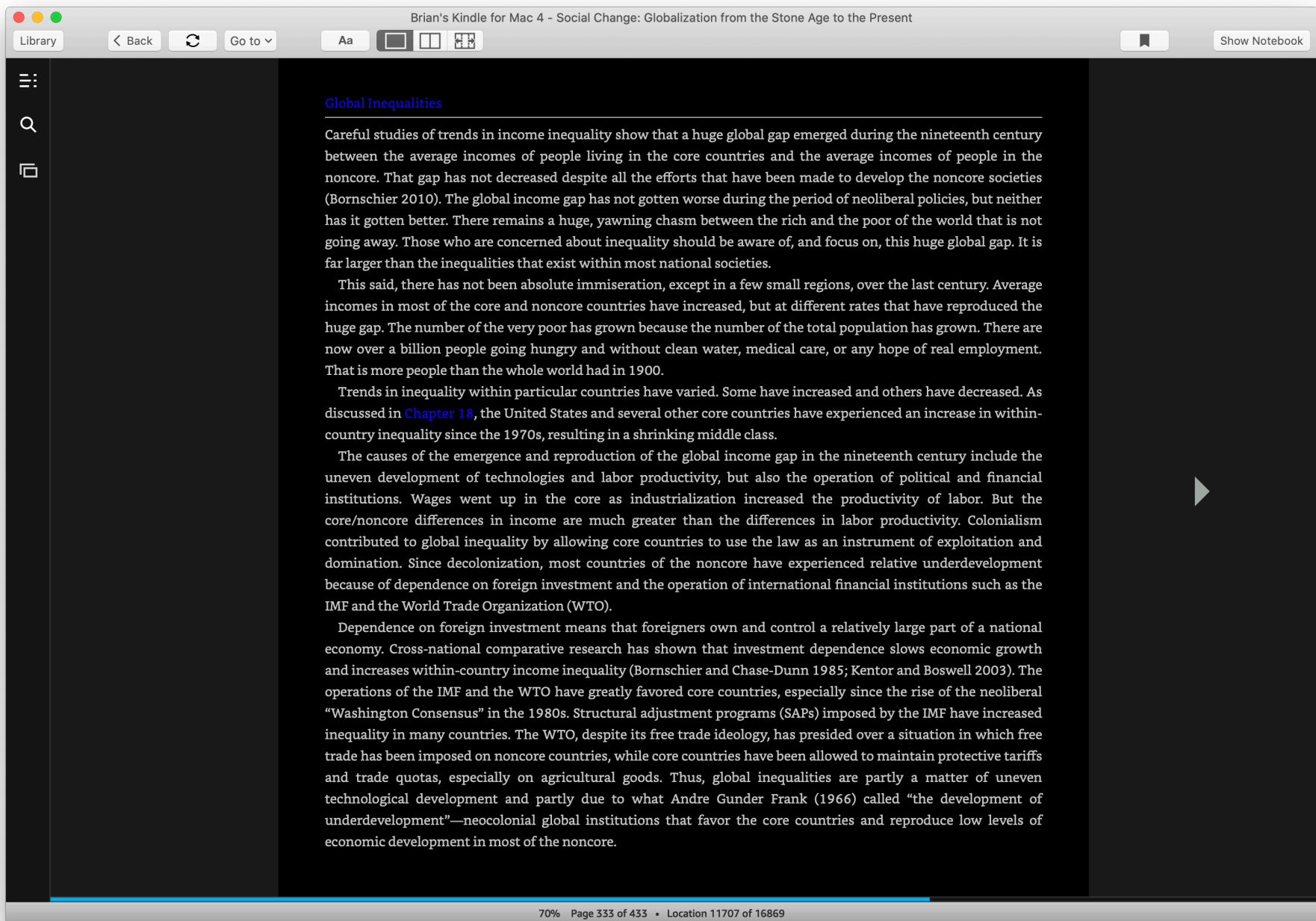
There are three major crises that loom in the early decades of the twenty-first century:

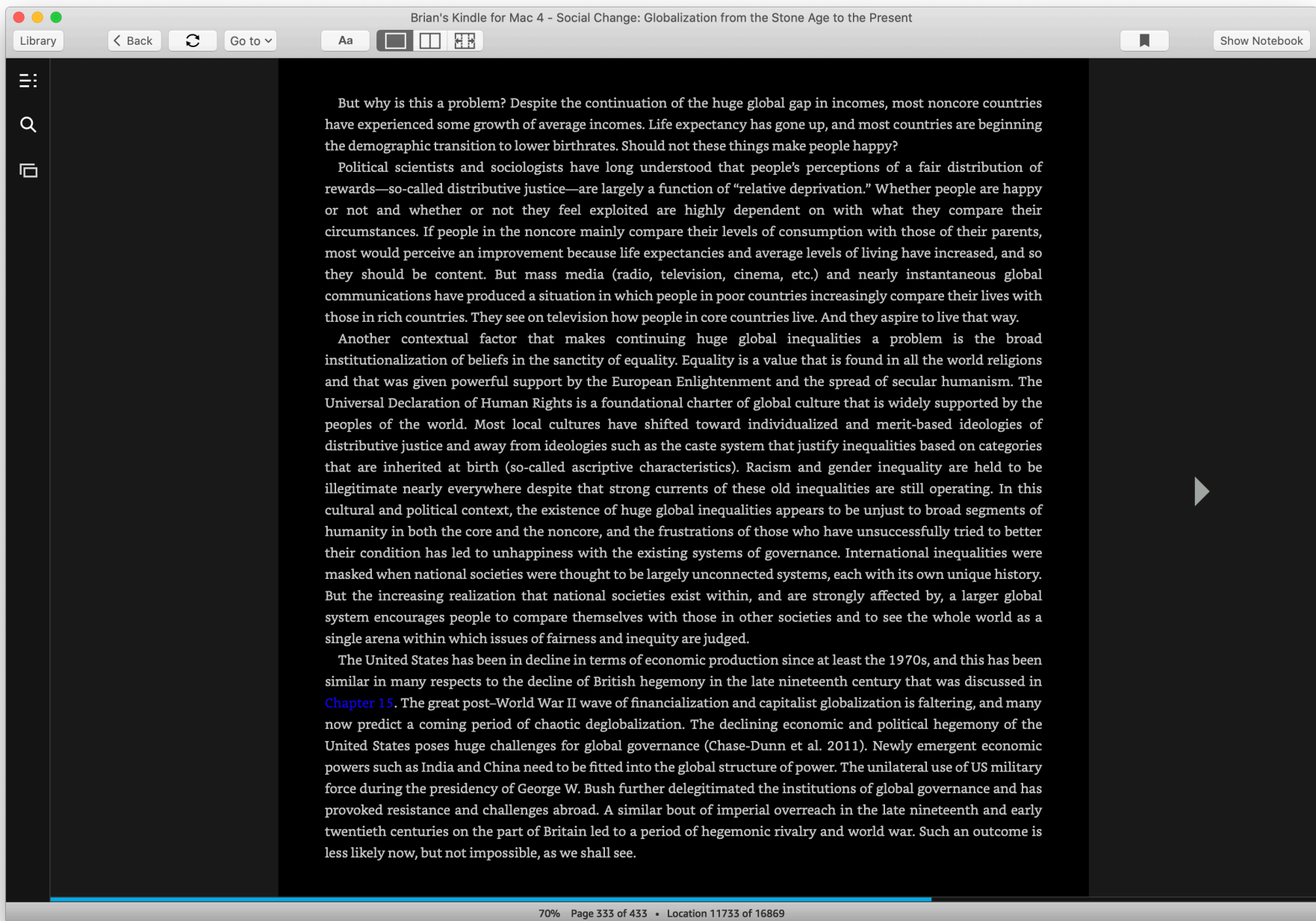
- Global inequalities
- Ecological degradation
- A failed system of global governance in the wake of US hegemonic decline



The dark spots are large crowds on the Washington, DC, Mall on US Presidential Inauguration Day, January 20, 2009

Source: Reprinted with permission: Geoeye 1 satellite image.





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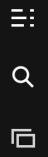


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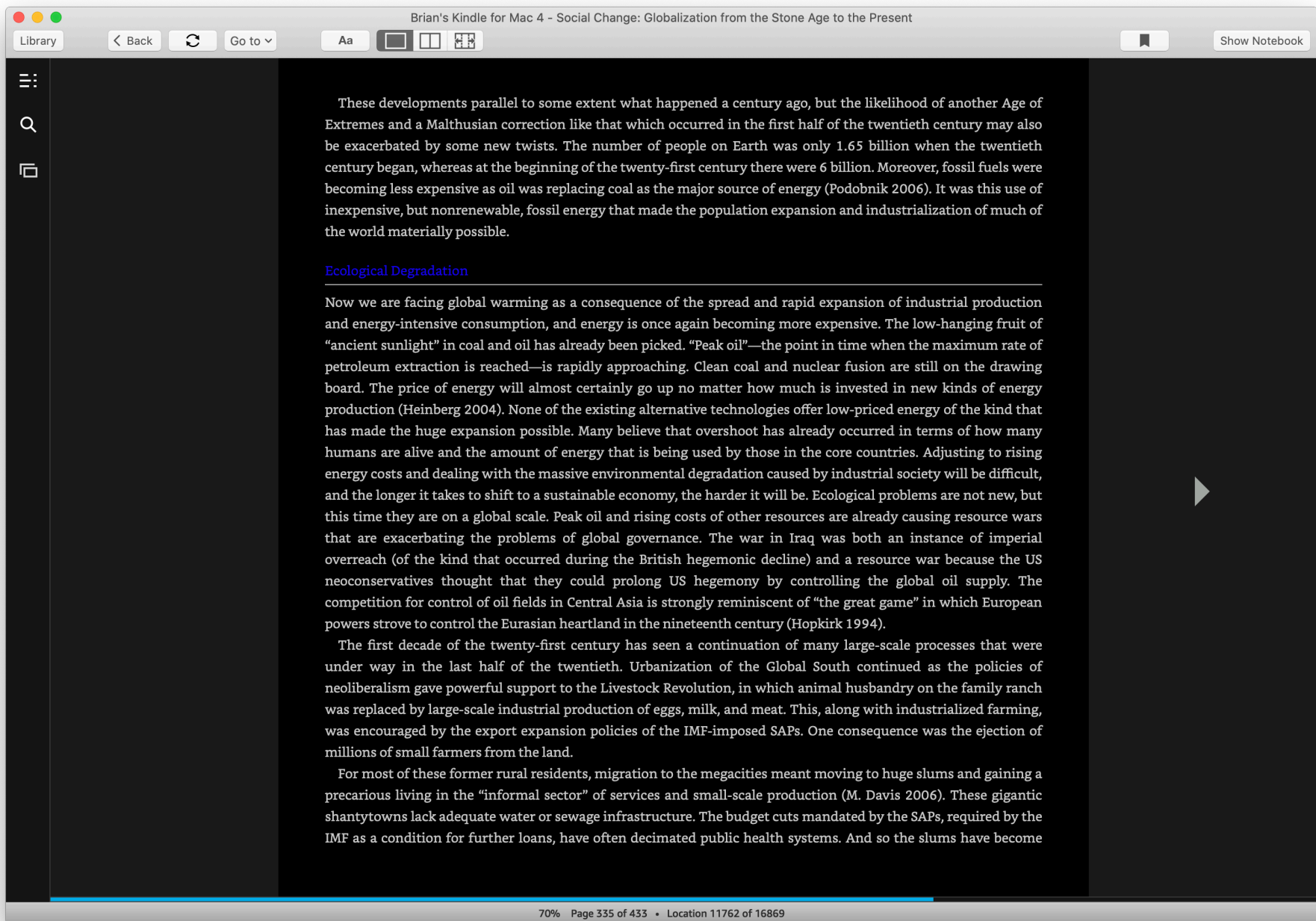


But why is this a problem? Despite the continuation of the huge global gap in incomes, most noncore countries have experienced some growth of average incomes. Life expectancy has gone up, and most countries are beginning the demographic transition to lower birthrates. Should not these things make people happy?

Political scientists and sociologists have long understood that people's perceptions of a fair distribution of rewards—so-called distributive justice—are largely a function of “relative deprivation.” Whether people are happy or not and whether or not they feel exploited are highly dependent on with what they compare their circumstances. If people in the noncore mainly compare their levels of consumption with those of their parents, most would perceive an improvement because life expectancies and average levels of living have increased, and so they should be content. But mass media (radio, television, cinema, etc.) and nearly instantaneous global communications have produced a situation in which people in poor countries increasingly compare their lives with those in rich countries. They see on television how people in core countries live. And they aspire to live that way.

Another contextual factor that makes continuing huge global inequalities a problem is the broad institutionalization of beliefs in the sanctity of equality. Equality is a value that is found in all the world religions and that was given powerful support by the European Enlightenment and the spread of secular humanism. The Universal Declaration of Human Rights is a foundational charter of global culture that is widely supported by the peoples of the world. Most local cultures have shifted toward individualized and merit-based ideologies of distributive justice and away from ideologies such as the caste system that justify inequalities based on categories that are inherited at birth (so-called ascriptive characteristics). Racism and gender inequality are held to be illegitimate nearly everywhere despite that strong currents of these old inequalities are still operating. In this cultural and political context, the existence of huge global inequalities appears to be unjust to broad segments of humanity in both the core and the noncore, and the frustrations of those who have unsuccessfully tried to better their condition has led to unhappiness with the existing systems of governance. International inequalities were masked when national societies were thought to be largely unconnected systems, each with its own unique history. But the increasing realization that national societies exist within, and are strongly affected by, a larger global system encourages people to compare themselves with those in other societies and to see the whole world as a single arena within which issues of fairness and inequity are judged.

The United States has been in decline in terms of economic production since at least the 1970s, and this has been similar in many respects to the decline of British hegemony in the late nineteenth century that was discussed in [Chapter 15](#). The great post–World War II wave of financialization and capitalist globalization is faltering, and many now predict a coming period of chaotic deglobalization. The declining economic and political hegemony of the United States poses huge challenges for global governance (Chase-Dunn et al. 2011). Newly emergent economic powers such as India and China need to be fitted into the global structure of power. The unilateral use of US military force during the presidency of George W. Bush further delegitimated the institutions of global governance and has provoked resistance and challenges abroad. A similar bout of imperial overreach in the late nineteenth and early twentieth centuries on the part of Britain led to a period of hegemonic rivalry and world war. Such an outcome is less likely now, but not impossible, as we shall see.



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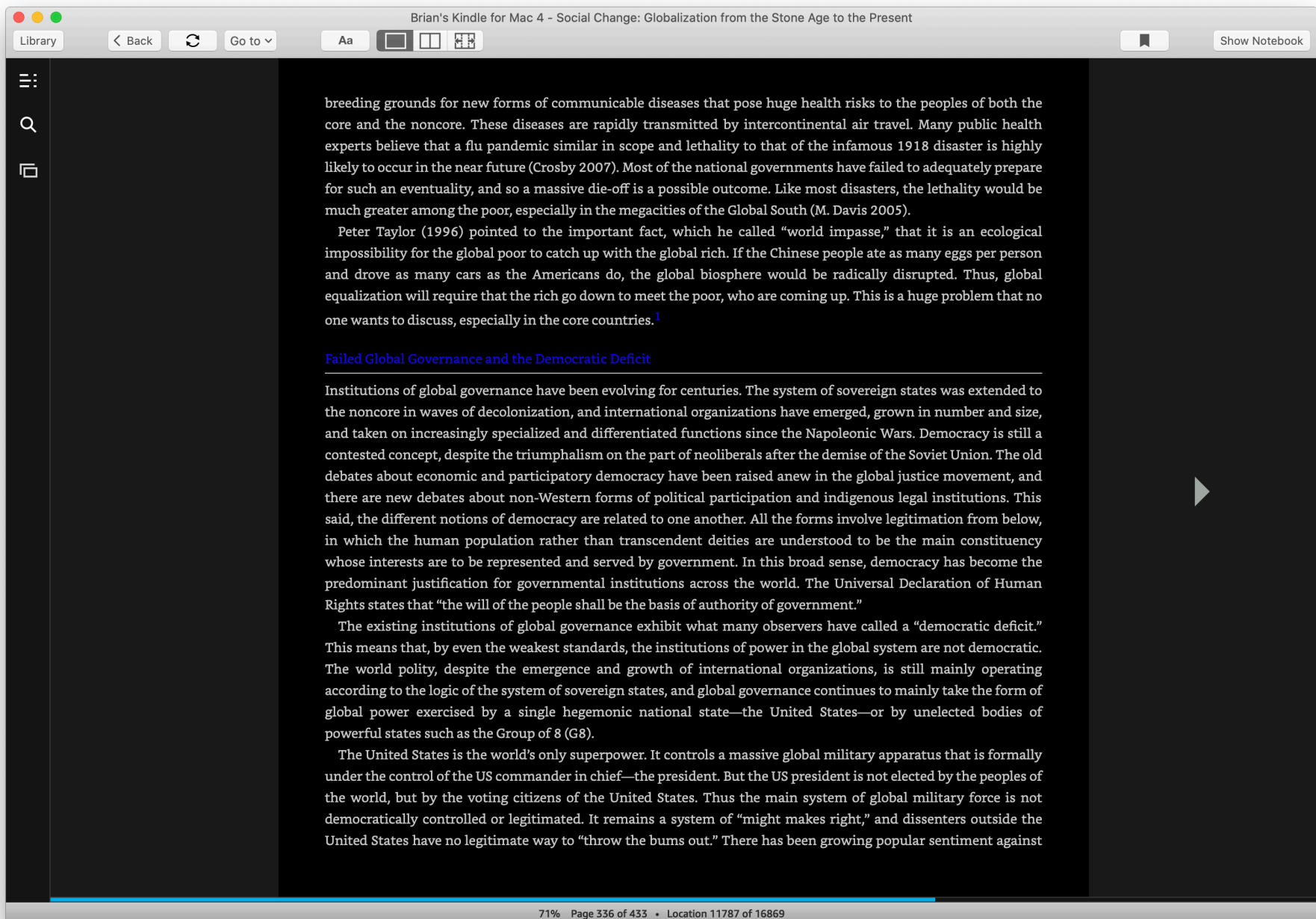
These developments parallel to some extent what happened a century ago, but the likelihood of another Age of Extremes and a Malthusian correction like that which occurred in the first half of the twentieth century may also be exacerbated by some new twists. The number of people on Earth was only 1.65 billion when the twentieth century began, whereas at the beginning of the twenty-first century there were 6 billion. Moreover, fossil fuels were becoming less expensive as oil was replacing coal as the major source of energy (Podobnik 2006). It was this use of inexpensive, but nonrenewable, fossil energy that made the population expansion and industrialization of much of the world materially possible.

### Ecological Degradation

Now we are facing global warming as a consequence of the spread and rapid expansion of industrial production and energy-intensive consumption, and energy is once again becoming more expensive. The low-hanging fruit of "ancient sunlight" in coal and oil has already been picked. "Peak oil"—the point in time when the maximum rate of petroleum extraction is reached—is rapidly approaching. Clean coal and nuclear fusion are still on the drawing board. The price of energy will almost certainly go up no matter how much is invested in new kinds of energy production (Heinberg 2004). None of the existing alternative technologies offer low-priced energy of the kind that has made the huge expansion possible. Many believe that overshoot has already occurred in terms of how many humans are alive and the amount of energy that is being used by those in the core countries. Adjusting to rising energy costs and dealing with the massive environmental degradation caused by industrial society will be difficult, and the longer it takes to shift to a sustainable economy, the harder it will be. Ecological problems are not new, but this time they are on a global scale. Peak oil and rising costs of other resources are already causing resource wars that are exacerbating the problems of global governance. The war in Iraq was both an instance of imperial overreach (of the kind that occurred during the British hegemonic decline) and a resource war because the US neoconservatives thought that they could prolong US hegemony by controlling the global oil supply. The competition for control of oil fields in Central Asia is strongly reminiscent of "the great game" in which European powers strove to control the Eurasian heartland in the nineteenth century (Hopkirk 1994).

The first decade of the twenty-first century has seen a continuation of many large-scale processes that were under way in the last half of the twentieth. Urbanization of the Global South continued as the policies of neoliberalism gave powerful support to the Livestock Revolution, in which animal husbandry on the family ranch was replaced by large-scale industrial production of eggs, milk, and meat. This, along with industrialized farming, was encouraged by the export expansion policies of the IMF-imposed SAPs. One consequence was the ejection of millions of small farmers from the land.

For most of these former rural residents, migration to the megacities meant moving to huge slums and gaining a precarious living in the "informal sector" of services and small-scale production (M. Davis 2006). These gigantic shantytowns lack adequate water or sewage infrastructure. The budget cuts mandated by the SAPs, required by the IMF as a condition for further loans, have often decimated public health systems. And so the slums have become



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breeding grounds for new forms of communicable diseases that pose huge health risks to the peoples of both the core and the noncore. These diseases are rapidly transmitted by intercontinental air travel. Many public health experts believe that a flu pandemic similar in scope and lethality to that of the infamous 1918 disaster is highly likely to occur in the near future (Crosby 2007). Most of the national governments have failed to adequately prepare for such an eventuality, and so a massive die-off is a possible outcome. Like most disasters, the lethality would be much greater among the poor, especially in the megacities of the Global South (M. Davis 2005).

Peter Taylor (1996) pointed to the important fact, which he called “world impasse,” that it is an ecological impossibility for the global poor to catch up with the global rich. If the Chinese people ate as many eggs per person and drove as many cars as the Americans do, the global biosphere would be radically disrupted. Thus, global equalization will require that the rich go down to meet the poor, who are coming up. This is a huge problem that no one wants to discuss, especially in the core countries.<sup>1</sup>

#### [Failed Global Governance and the Democratic Deficit](#)

Institutions of global governance have been evolving for centuries. The system of sovereign states was extended to the noncore in waves of decolonization, and international organizations have emerged, grown in number and size, and taken on increasingly specialized and differentiated functions since the Napoleonic Wars. Democracy is still a contested concept, despite the triumphalism on the part of neoliberals after the demise of the Soviet Union. The old debates about economic and participatory democracy have been raised anew in the global justice movement, and there are new debates about non-Western forms of political participation and indigenous legal institutions. This said, the different notions of democracy are related to one another. All the forms involve legitimation from below, in which the human population rather than transcendent deities are understood to be the main constituency whose interests are to be represented and served by government. In this broad sense, democracy has become the predominant justification for governmental institutions across the world. The Universal Declaration of Human Rights states that “the will of the people shall be the basis of authority of government.”

The existing institutions of global governance exhibit what many observers have called a “democratic deficit.” This means that, by even the weakest standards, the institutions of power in the global system are not democratic. The world polity, despite the emergence and growth of international organizations, is still mainly operating according to the logic of the system of sovereign states, and global governance continues to mainly take the form of global power exercised by a single hegemonic national state—the United States—or by unelected bodies of powerful states such as the Group of 8 (G8).

The United States is the world's only superpower. It controls a massive global military apparatus that is formally under the control of the US commander in chief—the president. But the US president is not elected by the peoples of the world, but by the voting citizens of the United States. Thus the main system of global military force is not democratically controlled or legitimated. It remains a system of “might makes right,” and dissenters outside the United States have no legitimate way to “throw the bums out.” There has been growing popular sentiment against



the policies of the US government in most countries of the world since 2001 (PEW Global Attitudes Project 2008). This constitutes a crisis in global governance in which the old mechanism of hegemonic leadership is being brought into question because of the decline of US economic hegemony and the widespread awareness that the whole world now constitutes a single global economy and polity.

The main international organizations with general responsibilities for international and global governance are:

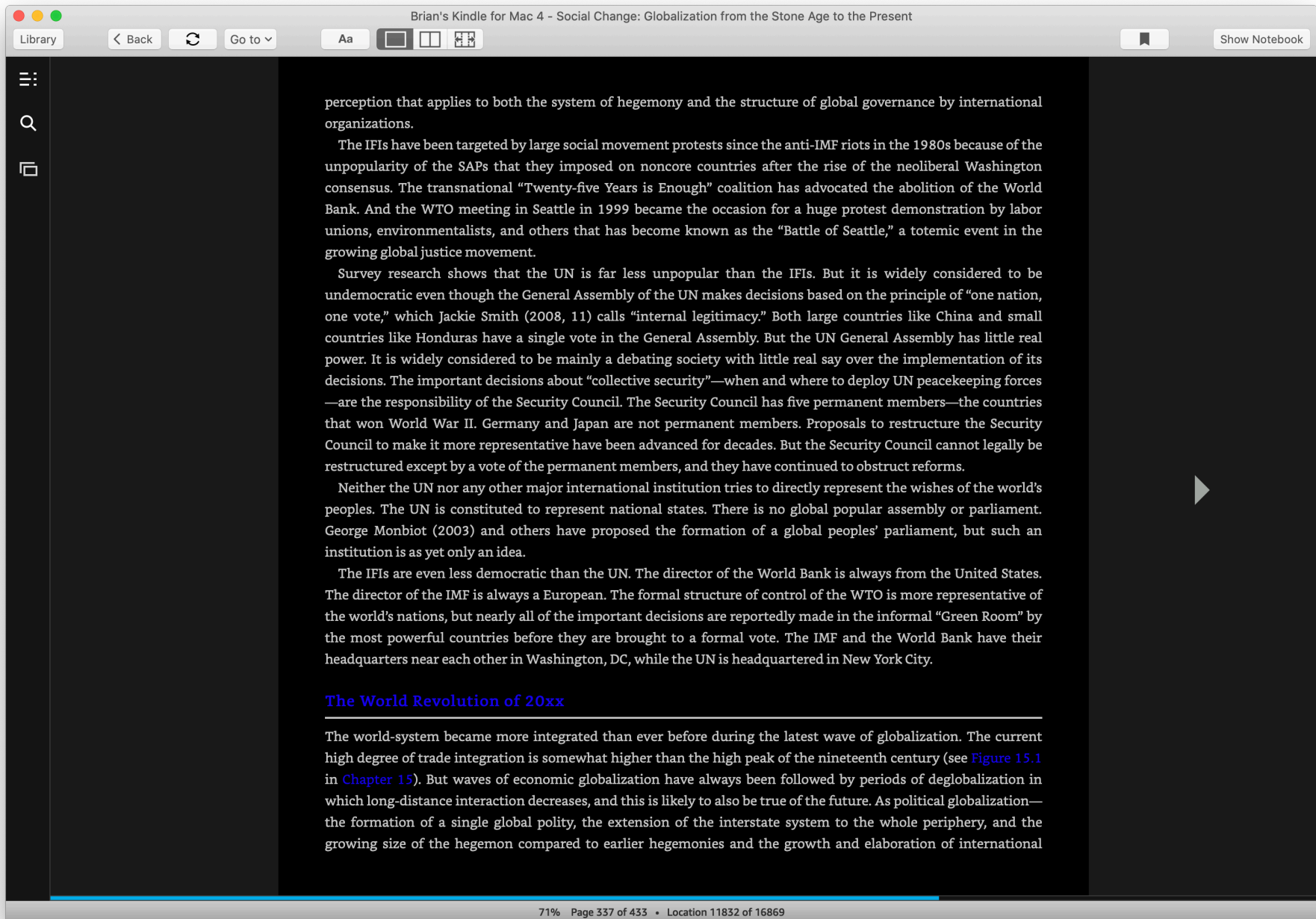
- The regional military apparatuses such as the North Atlantic Treaty Organization (NATO) and the South East Asian Treaty Organization (SEATO)
- The UN
- The international financial institutions (IFIs) such as the World Bank, the IMF, and the WTO

The regional treaty organizations are key institutions in the global system. They are intended to provide security and military cooperation.<sup>2</sup> They, and the other international institutions of global governance, lack what Jackie Smith (2008, 11) calls “external legitimacy,” meaning that they are not at all subject to popular consent (see [Figure 19.1](#)). They also lack what Smith calls “internal legitimacy”—because their policies and actions do not represent the consensus of all the world’s national governments. This is not just because they are regional organizations. They are primarily controlled by the great powers that are their members, mainly the United States.



**Figure 19.1** Anti-global governance at the World Social Forum, Nairobi, January 2007

The UN and the IFIs are increasingly seen both as incapable of dealing with challenges such as global warming and as primarily controlled by the United States or by the core powers, and thus the democratic deficit is a



perception that applies to both the system of hegemony and the structure of global governance by international organizations.

The IFIs have been targeted by large social movement protests since the anti-IMF riots in the 1980s because of the unpopularity of the SAPs that they imposed on noncore countries after the rise of the neoliberal Washington consensus. The transnational "Twenty-five Years is Enough" coalition has advocated the abolition of the World Bank. And the WTO meeting in Seattle in 1999 became the occasion for a huge protest demonstration by labor unions, environmentalists, and others that has become known as the "Battle of Seattle," a totemic event in the growing global justice movement.

Survey research shows that the UN is far less unpopular than the IFIs. But it is widely considered to be undemocratic even though the General Assembly of the UN makes decisions based on the principle of "one nation, one vote," which Jackie Smith (2008, 11) calls "internal legitimacy." Both large countries like China and small countries like Honduras have a single vote in the General Assembly. But the UN General Assembly has little real power. It is widely considered to be mainly a debating society with little real say over the implementation of its decisions. The important decisions about "collective security"—when and where to deploy UN peacekeeping forces—are the responsibility of the Security Council. The Security Council has five permanent members—the countries that won World War II. Germany and Japan are not permanent members. Proposals to restructure the Security Council to make it more representative have been advanced for decades. But the Security Council cannot legally be restructured except by a vote of the permanent members, and they have continued to obstruct reforms.

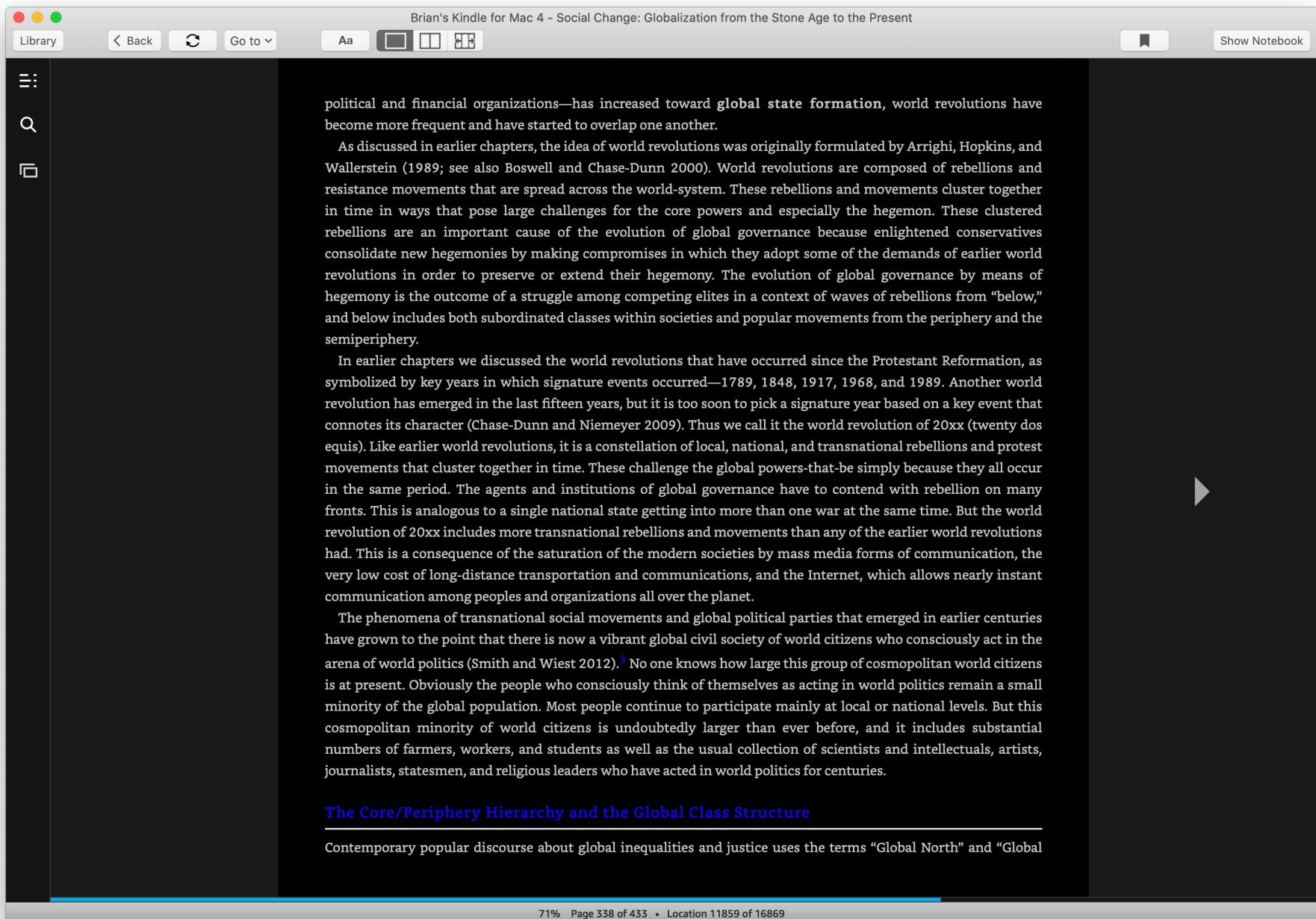
Neither the UN nor any other major international institution tries to directly represent the wishes of the world's peoples. The UN is constituted to represent national states. There is no global popular assembly or parliament. George Monbiot (2003) and others have proposed the formation of a global peoples' parliament, but such an institution is as yet only an idea.

The IFIs are even less democratic than the UN. The director of the World Bank is always from the United States. The director of the IMF is always a European. The formal structure of control of the WTO is more representative of the world's nations, but nearly all of the important decisions are reportedly made in the informal "Green Room" by the most powerful countries before they are brought to a formal vote. The IMF and the World Bank have their headquarters near each other in Washington, DC, while the UN is headquartered in New York City.

### The World Revolution of 20xx

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The world-system became more integrated than ever before during the latest wave of globalization. The current high degree of trade integration is somewhat higher than the high peak of the nineteenth century (see [Figure 15.1](#) in [Chapter 15](#)). But waves of economic globalization have always been followed by periods of deglobalization in which long-distance interaction decreases, and this is likely to also be true of the future. As political globalization—the formation of a single global polity, the extension of the interstate system to the whole periphery, and the growing size of the hegemon compared to earlier hegemonies and the growth and elaboration of international



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political and financial organizations—has increased toward **global state formation**, world revolutions have become more frequent and have started to overlap one another.

As discussed in earlier chapters, the idea of world revolutions was originally formulated by Arrighi, Hopkins, and Wallerstein (1989; see also Boswell and Chase-Dunn 2000). World revolutions are composed of rebellions and resistance movements that are spread across the world-system. These rebellions and movements cluster together in time in ways that pose large challenges for the core powers and especially the hegemon. These clustered rebellions are an important cause of the evolution of global governance because enlightened conservatives consolidate new hegemonies by making compromises in which they adopt some of the demands of earlier world revolutions in order to preserve or extend their hegemony. The evolution of global governance by means of hegemony is the outcome of a struggle among competing elites in a context of waves of rebellions from “below,” and below includes both subordinated classes within societies and popular movements from the periphery and the semiperiphery.

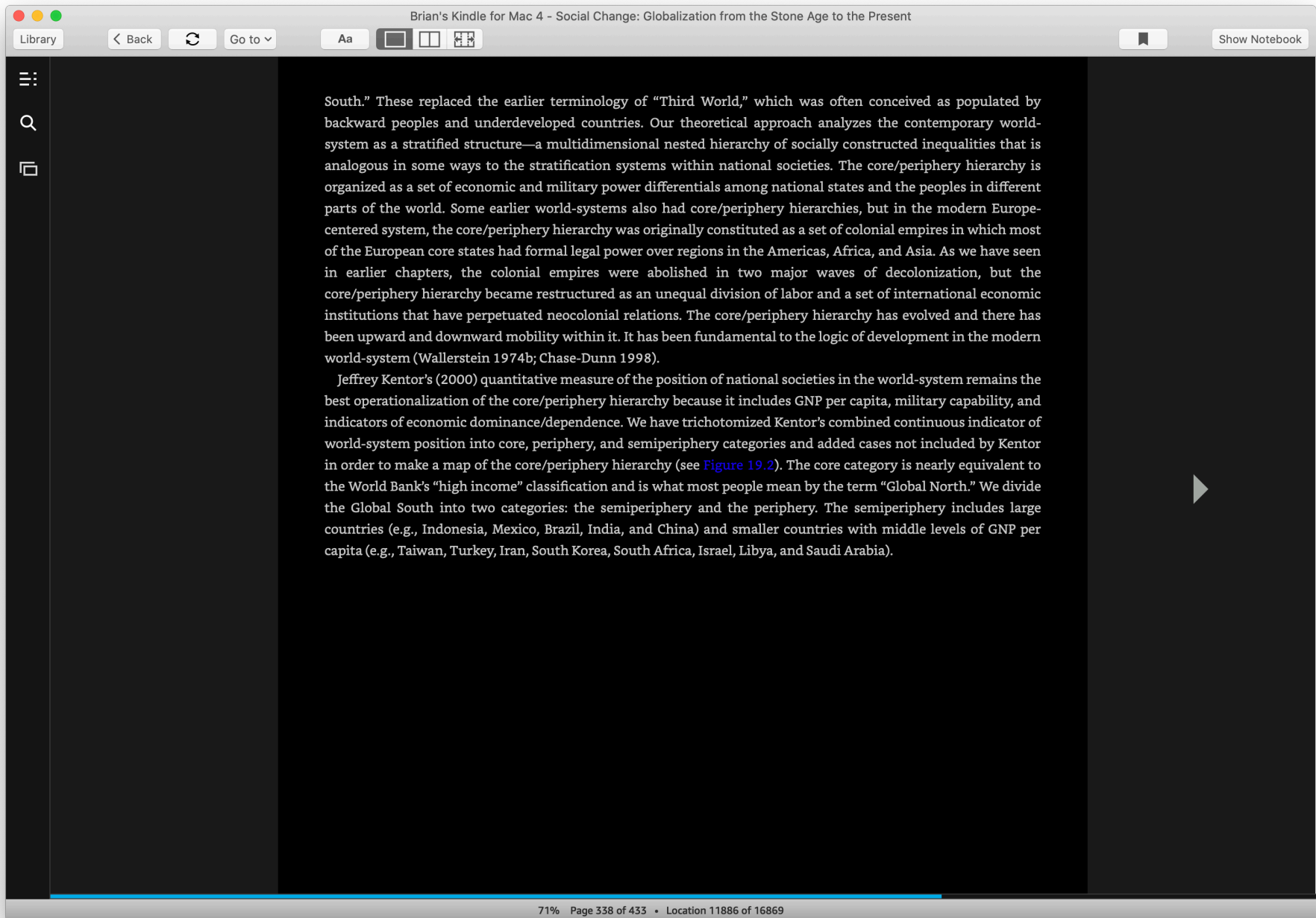
In earlier chapters we discussed the world revolutions that have occurred since the Protestant Reformation, as symbolized by key years in which signature events occurred—1789, 1848, 1917, 1968, and 1989. Another world revolution has emerged in the last fifteen years, but it is too soon to pick a signature year based on a key event that connotes its character (Chase-Dunn and Niemeyer 2009). Thus we call it the world revolution of 20xx (twenty dos equis). Like earlier world revolutions, it is a constellation of local, national, and transnational rebellions and protest movements that cluster together in time. These challenge the global powers—that be simply because they all occur in the same period. The agents and institutions of global governance have to contend with rebellion on many fronts. This is analogous to a single national state getting into more than one war at the same time. But the world revolution of 20xx includes more transnational rebellions and movements than any of the earlier world revolutions had. This is a consequence of the saturation of the modern societies by mass media forms of communication, the very low cost of long-distance transportation and communications, and the Internet, which allows nearly instant communication among peoples and organizations all over the planet.

The phenomena of transnational social movements and global political parties that emerged in earlier centuries have grown to the point that there is now a vibrant global civil society of world citizens who consciously act in the arena of world politics (Smith and Wiest 2012).<sup>3</sup> No one knows how large this group of cosmopolitan world citizens is at present. Obviously the people who consciously think of themselves as acting in world politics remain a small minority of the global population. Most people continue to participate mainly at local or national levels. But this cosmopolitan minority of world citizens is undoubtedly larger than ever before, and it includes substantial numbers of farmers, workers, and students as well as the usual collection of scientists and intellectuals, artists, journalists, statesmen, and religious leaders who have acted in world politics for centuries.

### The Core/Periphery Hierarchy and the Global Class Structure

Contemporary popular discourse about global inequalities and justice uses the terms “Global North” and “Global





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South." These replaced the earlier terminology of "Third World," which was often conceived as populated by backward peoples and underdeveloped countries. Our theoretical approach analyzes the contemporary world-system as a stratified structure—a multidimensional nested hierarchy of socially constructed inequalities that is analogous in some ways to the stratification systems within national societies. The core/periphery hierarchy is organized as a set of economic and military power differentials among national states and the peoples in different parts of the world. Some earlier world-systems also had core/periphery hierarchies, but in the modern Europe-centered system, the core/periphery hierarchy was originally constituted as a set of colonial empires in which most of the European core states had formal legal power over regions in the Americas, Africa, and Asia. As we have seen in earlier chapters, the colonial empires were abolished in two major waves of decolonization, but the core/periphery hierarchy became restructured as an unequal division of labor and a set of international economic institutions that have perpetuated neocolonial relations. The core/periphery hierarchy has evolved and there has been upward and downward mobility within it. It has been fundamental to the logic of development in the modern world-system (Wallerstein 1974b; Chase-Dunn 1998).

Jeffrey Kentor's (2000) quantitative measure of the position of national societies in the world-system remains the best operationalization of the core/periphery hierarchy because it includes GNP per capita, military capability, and indicators of economic dominance/dependence. We have trichotomized Kentor's combined continuous indicator of world-system position into core, periphery, and semiperiphery categories and added cases not included by Kentor in order to make a map of the core/periphery hierarchy (see [Figure 19.2](#)). The core category is nearly equivalent to the World Bank's "high income" classification and is what most people mean by the term "Global North." We divide the Global South into two categories: the semiperiphery and the periphery. The semiperiphery includes large countries (e.g., Indonesia, Mexico, Brazil, India, and China) and smaller countries with middle levels of GNP per capita (e.g., Taiwan, Turkey, Iran, South Korea, South Africa, Israel, Libya, and Saudi Arabia).



**Figure 19.2** The global hierarchy of national societies: core, semiperiphery, and periphery

Figure 19.2 depicts the global hierarchy of national societies divided into the three world-system zones. The core countries are in black, the peripheral countries are in gray, and the semiperipheral countries in the middle of the global hierarchy are in cross-hatch. The visually obvious thing is that North America and Europe are mostly core, Latin America is mostly semiperipheral, Africa is mostly peripheral, and Asia is a mix of core, periphery, and semiperiphery.

In its evolution, the core/periphery hierarchy has moved from a set of unequal relations among “mother countries” and their colonies, to unequal relations among formally sovereign national states, toward a set of global class relations. There has been a global class structure for centuries in the sense that the whole population of the earth can be assigned to membership in different social classes. But waves of globalization and resistance have increasingly formed intraclass links within and between social classes so that the global hierarchy has moved in the direction of a global class system in a global society of the kind described in the works of William I. Robinson (2004, 2008). Robinson contends that neoliberal capitalism has subjected both capitalists and workers to forces of restructuring, producing a transnational class structure that is increasingly the main form of inequality in world society. Robinson claims that this emergent global class structure has eliminated the old core/periphery hierarchy among national states.

The core/periphery hierarchy has always been a complicated nested system with core/periphery relations existing within countries as well as between them. But it has always been possible to assign national societies to the three zones of the core/periphery hierarchy: the core, the periphery, and the semiperiphery. And this is still possible



today despite the move toward a global class system. There are still significant advantages to being a worker in the core and disadvantages to being a worker in the periphery despite the move in the direction of a global class system. The complicated reality is that the old core/periphery hierarchy of national societies continues to exist at the same time that globalized classes of the kind described by Robinson are emerging.

Figure 19.3 depicts the class structure of the world-system as a whole, and depicts transnational segments of all the classes. As mentioned above, William I. Robinson's (2004, 2008) theorization of the structure of global capitalism and world society contends that each country has a segment of elites who are members of what he calls the transnational capitalist class and that the other classes also have transnational segments. William K. Carroll (2010) has studied the changes in the contours of the corporate board and policy interlocks among the transnational capitalist class since the 1970s.

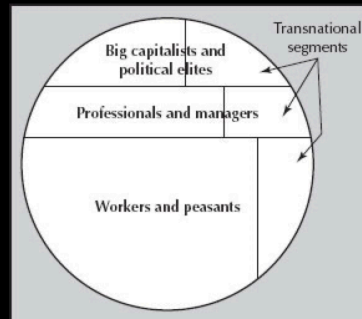
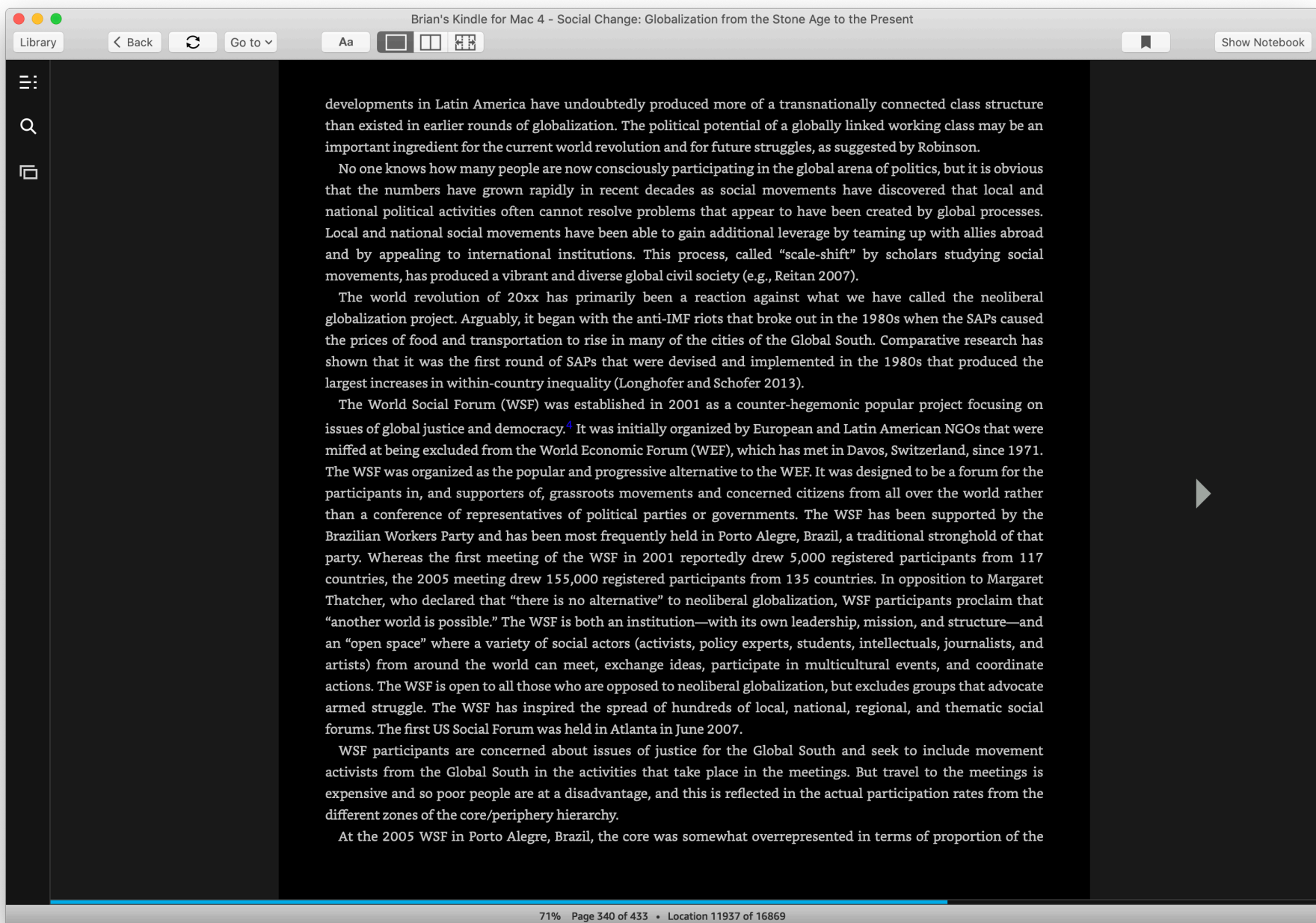


Figure 19.3 The global class structure with transnational segments

The insight about the growing systemness of the world-system is helpful, but both the interstate system and national societies continue to be important socially structured institutions in the contemporary world (Sassen 2006). And despite the recent attacks on the welfare state in the core, it is still better to be a worker who is a citizen of a core state than a worker in the periphery. Overstating the completeness of transnationalization and world society formation becomes most obvious in the claim that the core/periphery hierarchy has been entirely replaced by “peripheralization of the core” and the emergence of clusters of monopoly privilege in parts of the noncore. Robinson himself reports that call-center workers in Argentina earn ten times less than call-center workers in the United States (2008, 127).

Despite the trends toward a more globalized world class structure, the core/periphery hierarchy remains an important reality of the world-system. On the average, it is still much better to be homeless in the core than in the periphery. The processes of capitalist globalization that Robinson (2008) discusses in his overview of recent



developments in Latin America have undoubtedly produced more of a transnationally connected class structure than existed in earlier rounds of globalization. The political potential of a globally linked working class may be an important ingredient for the current world revolution and for future struggles, as suggested by Robinson.

No one knows how many people are now consciously participating in the global arena of politics, but it is obvious that the numbers have grown rapidly in recent decades as social movements have discovered that local and national political activities often cannot resolve problems that appear to have been created by global processes. Local and national social movements have been able to gain additional leverage by teaming up with allies abroad and by appealing to international institutions. This process, called "scale-shift" by scholars studying social movements, has produced a vibrant and diverse global civil society (e.g., Reitan 2007).

The world revolution of 20xx has primarily been a reaction against what we have called the neoliberal globalization project. Arguably, it began with the anti-IMF riots that broke out in the 1980s when the SAPs caused the prices of food and transportation to rise in many of the cities of the Global South. Comparative research has shown that it was the first round of SAPs that were devised and implemented in the 1980s that produced the largest increases in within-country inequality (Longhofer and Schofer 2013).

The World Social Forum (WSF) was established in 2001 as a counter-hegemonic popular project focusing on issues of global justice and democracy.<sup>4</sup> It was initially organized by European and Latin American NGOs that were miffed at being excluded from the World Economic Forum (WEF), which has met in Davos, Switzerland, since 1971. The WSF was organized as the popular and progressive alternative to the WEF. It was designed to be a forum for the participants in, and supporters of, grassroots movements and concerned citizens from all over the world rather than a conference of representatives of political parties or governments. The WSF has been supported by the Brazilian Workers Party and has been most frequently held in Porto Alegre, Brazil, a traditional stronghold of that party. Whereas the first meeting of the WSF in 2001 reportedly drew 5,000 registered participants from 117 countries, the 2005 meeting drew 155,000 registered participants from 135 countries. In opposition to Margaret Thatcher, who declared that "there is no alternative" to neoliberal globalization, WSF participants proclaim that "another world is possible." The WSF is both an institution—with its own leadership, mission, and structure—and an "open space" where a variety of social actors (activists, policy experts, students, intellectuals, journalists, and artists) from around the world can meet, exchange ideas, participate in multicultural events, and coordinate actions. The WSF is open to all those who are opposed to neoliberal globalization, but excludes groups that advocate armed struggle. The WSF has inspired the spread of hundreds of local, national, regional, and thematic social forums. The first US Social Forum was held in Atlanta in June 2007.

WSF participants are concerned about issues of justice for the Global South and seek to include movement activists from the Global South in the activities that take place in the meetings. But travel to the meetings is expensive and so poor people are at a disadvantage, and this is reflected in the actual participation rates from the different zones of the core/periphery hierarchy.

At the 2005 WSF in Porto Alegre, Brazil, the core was somewhat overrepresented in terms of proportion of the

world population (20 percent at the meeting but 13 percent of the world population; see [Table 19.1](#)). The semiperiphery was overrepresented because Brazil, the site of the meeting, is a semiperipheral country and is adjacent to semiperipheral Argentina. The periphery, which contains 32 percent of the world's population, was seriously underrepresented at Porto Alegre (8 percent). This was an important part of the rationale for holding the 2007 WSF in Nairobi, Kenya. [Table 19.1](#) also shows the distribution of attendees at the 2007 WSF in Nairobi across world-system zones. At the Nairobi meeting the periphery was overrepresented (56 percent), rather than underrepresented as it was in Porto Alegre, because Kenya and the surrounding countries in East Africa are in the world-system periphery. The core countries at the Nairobi meeting were ironically even more overrepresented (29 percent) than they had been in Porto Alegre (20 percent). The semiperiphery at the Nairobi meeting was seriously underrepresented. Only 15 percent of the attendees at the 2007 WSF were from the semiperiphery, which has 55 percent of the world's population. Efforts will continue to be made to facilitate participation from the Global South in future WSF meetings.

[Table 19.1](#) Surveyed WSF 2005 attendees by world-system zone

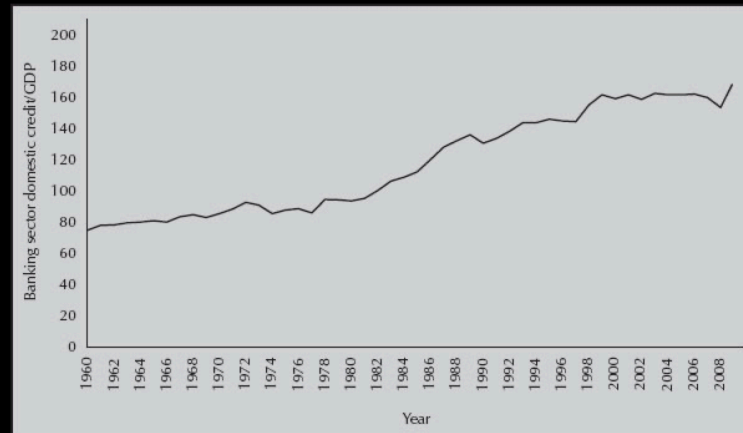
Zone	Number of respondents (2005)	Percentage of respondents (2005)	Percentage of 2005 world population (6,451,392,455)	Number of respondents (2007)	Percentage of respondents (2007)
Core	125	20	13	146	29
Semiperiphery	451	72	55	78	15
Periphery	49	8	32	283	56
Total	625			507	

As discussed in earlier chapters, the comparative world-systems perspective has discovered that semiperipheral regions have been unusually fertile sources of innovations and have implemented social organizational forms that transformed the scale and logic of world-systems—the phenomenon of “semiperipheral development.” This perspective suggests that attention should be paid to events and developments within the semiperiphery, both the emergence of social movements and the emergence of national regimes. The WSF process is global in intent, but its entry upon the stage of world politics has been primarily from semiperipheral Brazil and India. And the “Pink Tide” process in Latin America has seen the emergence of populist regimes in several Latin American countries in the last decade. We will discuss these phenomena in [Chapter 20](#) in connection with our consideration of the future of semiperipheral development.

### Similarities and Differences between the Nineteenth- and Twentieth-Century Waves of Globalization

There are both important similarities and important differences between the nineteenth- and twentieth-century

waves of globalization that need to be taken into account in order to understand the contemporary world-historical situation. Both were periods of increasing integration based on long-distance trade, increasing foreign investment, and the expansion and cheapening of global transportation and communications. In both periods, markets were deregulated and disembedded from political and sociocultural controls (Polanyi 2001). In both waves of globalization, a hegemonic core power rose to centrality in the global political economy and then declined, losing first its comparative advantages in the production of consumer goods and then capital goods. Both declining hegemonies then used their centrality in global networks to make money on financial services. Indeed, much of the whole world economy became financially organized around the hegemon, whose currency served as world money (see Figure 19.4). The size of the symbolic economy of “securities”—financial instruments representing ostensible future income streams—grew far larger than the economy that was based on transactions of material goods and services. In both waves of globalization, capitalist industrialization spread to new areas and came to involve a far larger number of the world’s people in global networks of production and exchange.



**Figure 19.4** The expansion of credit as a percentage of global GDP, 1960–2008

*Source:* Data from World Bank 2011.

Figure 19.4 shows the trajectory of an indicator of global financialization from 1960 to 2008. The indicator is global domestic credit provided by the banking sector as a percentage of the global GDP. This indicator of financialization, which does not include credit that banks offered to borrowers abroad, rose dramatically over the last four and a half decades, indicating that the relationship between real goods and services and symbolic forms



that may be used to pay a debt has changed. Financialization means that the symbolic economy and the activities of financial services have come to be much larger than the “real” economy of the production and exchange of goods and other services. It also indicates that finance capital has become a dominant player in the whole world economy. Though we do not have comparable quantitative indicators for the nineteenth century to produce the kind of graph shown in [Figure 19.4](#), it is well known that there was a somewhat similar expansion of finance capital during the period of British hegemonic decline in industrial production.

There were also important structural differences between the two waves of globalization. Formal colonialism was abolished from the global polity during the most recent great wave of globalization. The interstate system of legally sovereign states was extended to the noncore, and so core states could no longer extract tax revenues from their colonial empires. In the late nineteenth century and early twentieth century, the British were able to use their empire, especially its direct control over India, to finance the operations of the British state. And Britain also was able to mobilize large numbers of soldiers from its colonies to fight in the Boer Wars and in World War I. Both colonial revenue and cannon fodder were available to the hegemon as well as to many of the other contending core powers. That is a source of support that no longer exists because of the evolution of global governance. When the United States, like Britain, began to use its centrality in global military power to try to shore up its declining hegemony, it had to rely primarily on US citizens to perform soldierly duties. But unlike Britain, it could not directly tax a colonial empire to financially support its adventures.

Of course, there have been functional substitutes. The United States has tried to get its allies to pay more of the costs of the Gulf Wars and the war in Afghanistan by sending troops. Soldiers have been recruited disproportionately from noncitizen immigrants within the United States by holding out the promise of gaining formal citizenship. And the US government has increasingly privatized security by hiring companies of mercenaries to provide services in war zones. There have been huge efforts to rely on “smart warfare technologies” as a substitute for troops on the ground. None of these new factors have made the US foray into imperial overreach any more successful than was the British effort. The transition from hegemonic leadership to a policy that unilaterally employs military supremacy in what appears to be a self-serving way generates too much resistance from both the targets of coercion and erstwhile allies. The costs of empire were great in the nineteenth century, but they went up in the twentieth century because formal legal colonialism had been abolished. Rather than using colonial subjects as cannon fodder, the United States must use immigrants seeking citizenship and highly paid private mercenaries.<sup>5</sup>

### The United States: “Too Large to Fail”

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Probably the most important structural difference between the nineteenth- and twentieth-century waves of globalization is the far greater relative size of the hegemon. [Figure 18.1](#) in [Chapter 18](#) shows the proportions that the US and British home markets constituted in the total world GDP. At its peak in about 1900, Britain's share was less than 10 percent. At its peak in 1945, the US share was 35 percent, and though it has declined in a series of steps

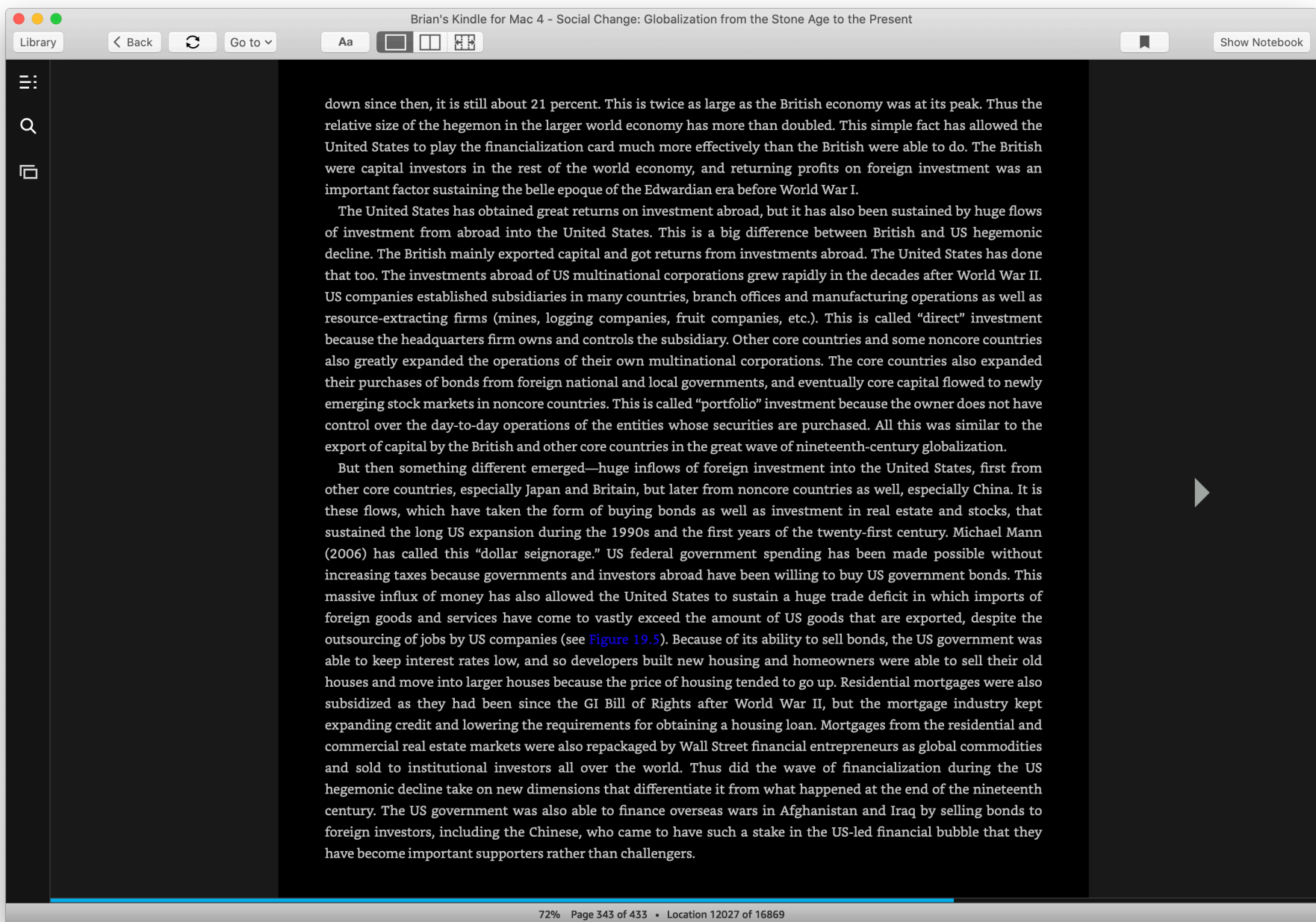






Figure 19.5 US trade balance (exports/imports), 1960—2008

Source: Data from World Bank 2011.

The dollar sector of the world economy is so large that there are no alternatives big enough to replace it even when foreign investors have become disenchanted about the prospects of future returns on their investments. The euro would seem a possibility, but the sheer size of the mountain of securities in dollar-denominated investments makes the euro sector look like a dwarf. The difference in relative size between Britain in the nineteenth century and the United States in the twentieth century means that the rest of the world is much more dependent on the economy of the hegemon now, and would-be competitors have come to have a huge stake in the ability of the United States to buy their products. As is sometimes said about gigantic corporations such as General Motors, the US economy is too large to fail.

### The Global Policeman

The United States is also far more supreme in military terms than Britain ever was. The United States currently maintains 737 military bases abroad. By comparison, at the peak of its global power in 1898 Britain had 36 bases (C. Johnson 2006, 138–139).

Another important difference between the two waves of globalization is that alliances among core countries are much stronger now than they were at the end of the nineteenth century. Recall that during the Second Boer War



there was great fear in both Britain and France that war might break out between them. After World War II the United States and the core countries of Europe organized a strong coalition based on international organizations and an international multilateral military command structure, NATO. The strongest economic challenges to US hegemony in manufacturing during the decades after World War II came from Germany and Japan, the countries that lost the war. During the long Cold War between the United States and the Soviet Union, the other core countries were content to let the United States be the superpower in military terms and so they did not develop their own military capabilities to any significant extent. After World War II both Germany and Japan renounced the use of military power and kept only small capabilities, relying on the United States for protection. The consequence, after the demise of the Soviet Union, is that serious global military power is a near monopoly of the hegemon. This is a very stable military structure compared with what existed in the world-system before World War I. No single country, and not even a coalition of countries, can militarily challenge the United States. But this structure had been legitimized by the Cold War and by a relatively multilateral approach to policy decisions employed by the United States in which major decisions were taken in consultation with the other core powers.

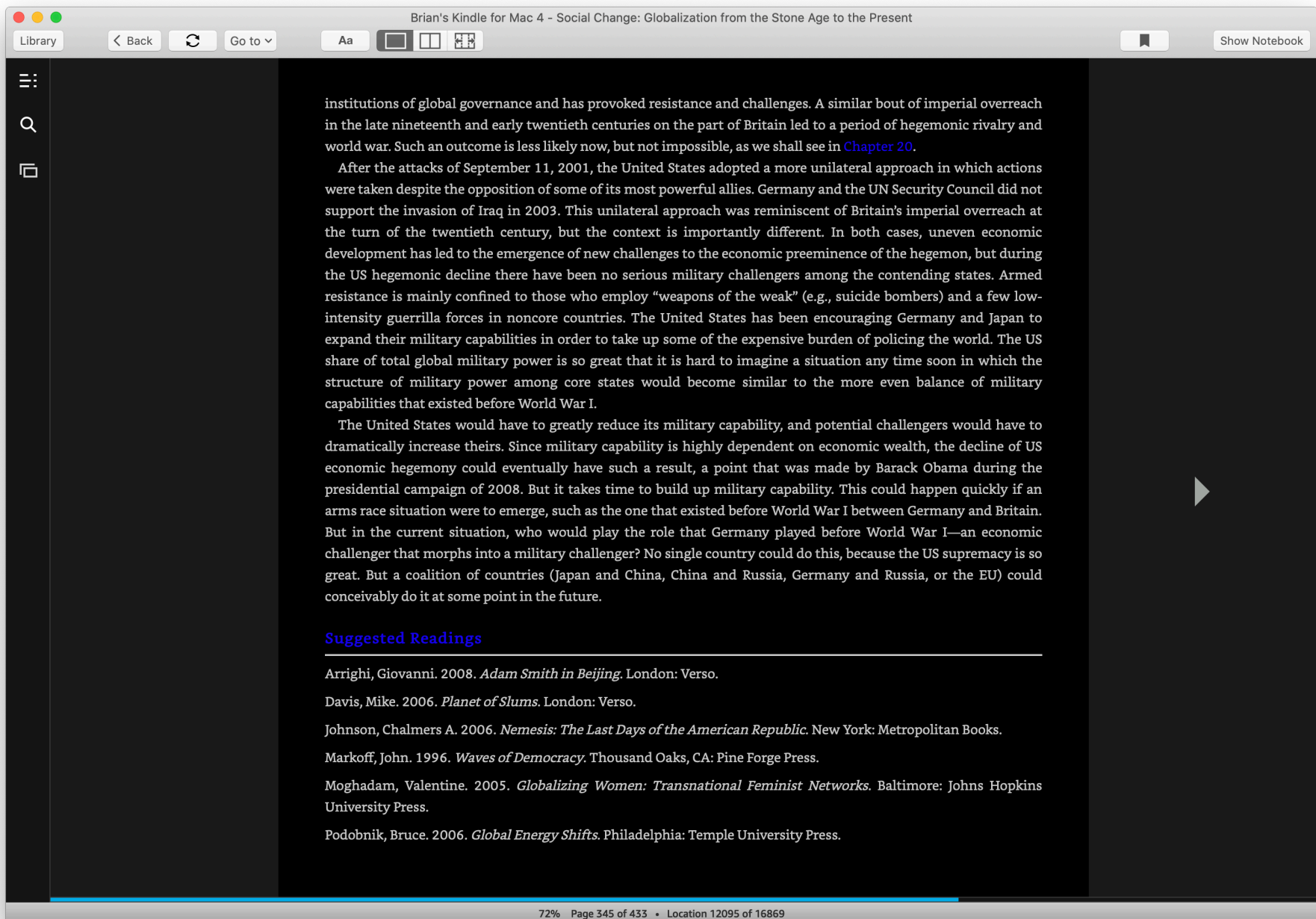
### The Democratic Peace and Global Capitalism

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International relations theorists have argued that conflict within the core is quite unlikely because all the major core powers have democratic regimes. The “democratic peace” idea is that sharing a set of political values makes conflict less likely, and that democratic regimes should be less likely than nondemocratic ones to initiate warfare. The relevance of this hypothesis for the future of the probability of war among powerful states is based on the assumption that the great powers remain democratic. This seems plausible enough if we could assume stable economic development, well-legitimized institutions of global governance, and fair access to a growing supply of natural resources. Environmental crises, population pressure, financial crises, and hegemonic decline might well provide challenges that the “democratic peace” factor is not strong enough to mitigate.

A similar argument applies in the case of those who contend that a global stage of capitalism has emerged or is emerging in which there is a single integrated transnational capitalist class (Sklair 2001) and an emerging transnational state (Robinson 2004, 2008). Globalization has indeed increased the degree of global coordination and integration, but will the institutions that have emerged be strong enough to prevent the return of conflict among the great powers during a new period of deglobalization, hegemonic decline, peak oil, resource wars, and strong challenges from social movements and counter-hegemonic regimes in the noncore? That is the question.

The United States has been in decline in terms of hegemony in economic production since at least the 1970s, and this has been similar in some respects to the decline of British hegemony in the late nineteenth century. The great post-World War II wave of globalization and financialization is faltering, and some analysts predict another trough of deglobalization. The declining economic and political hegemony of the United States poses huge challenges for global governance. Newly emergent national economies such as India and China need to be fitted into the global structure of power. The unilateral use of military force by the declining hegemon has further delegitimized the



institutions of global governance and has provoked resistance and challenges. A similar bout of imperial overreach in the late nineteenth and early twentieth centuries on the part of Britain led to a period of hegemonic rivalry and world war. Such an outcome is less likely now, but not impossible, as we shall see in [Chapter 20](#).

After the attacks of September 11, 2001, the United States adopted a more unilateral approach in which actions were taken despite the opposition of some of its most powerful allies. Germany and the UN Security Council did not support the invasion of Iraq in 2003. This unilateral approach was reminiscent of Britain's imperial overreach at the turn of the twentieth century, but the context is importantly different. In both cases, uneven economic development has led to the emergence of new challenges to the economic preeminence of the hegemon, but during the US hegemonic decline there have been no serious military challengers among the contending states. Armed resistance is mainly confined to those who employ "weapons of the weak" (e.g., suicide bombers) and a few low-intensity guerrilla forces in noncore countries. The United States has been encouraging Germany and Japan to expand their military capabilities in order to take up some of the expensive burden of policing the world. The US share of total global military power is so great that it is hard to imagine a situation any time soon in which the structure of military power among core states would become similar to the more even balance of military capabilities that existed before World War I.

The United States would have to greatly reduce its military capability, and potential challengers would have to dramatically increase theirs. Since military capability is highly dependent on economic wealth, the decline of US economic hegemony could eventually have such a result, a point that was made by Barack Obama during the presidential campaign of 2008. But it takes time to build up military capability. This could happen quickly if an arms race situation were to emerge, such as the one that existed before World War I between Germany and Britain. But in the current situation, who would play the role that Germany played before World War I—an economic challenger that morphs into a military challenger? No single country could do this, because the US supremacy is so great. But a coalition of countries (Japan and China, China and Russia, Germany and Russia, or the EU) could conceivably do it at some point in the future.

### Suggested Readings

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Arrighi, Giovanni. 2008. *Adam Smith in Beijing*. London: Verso.

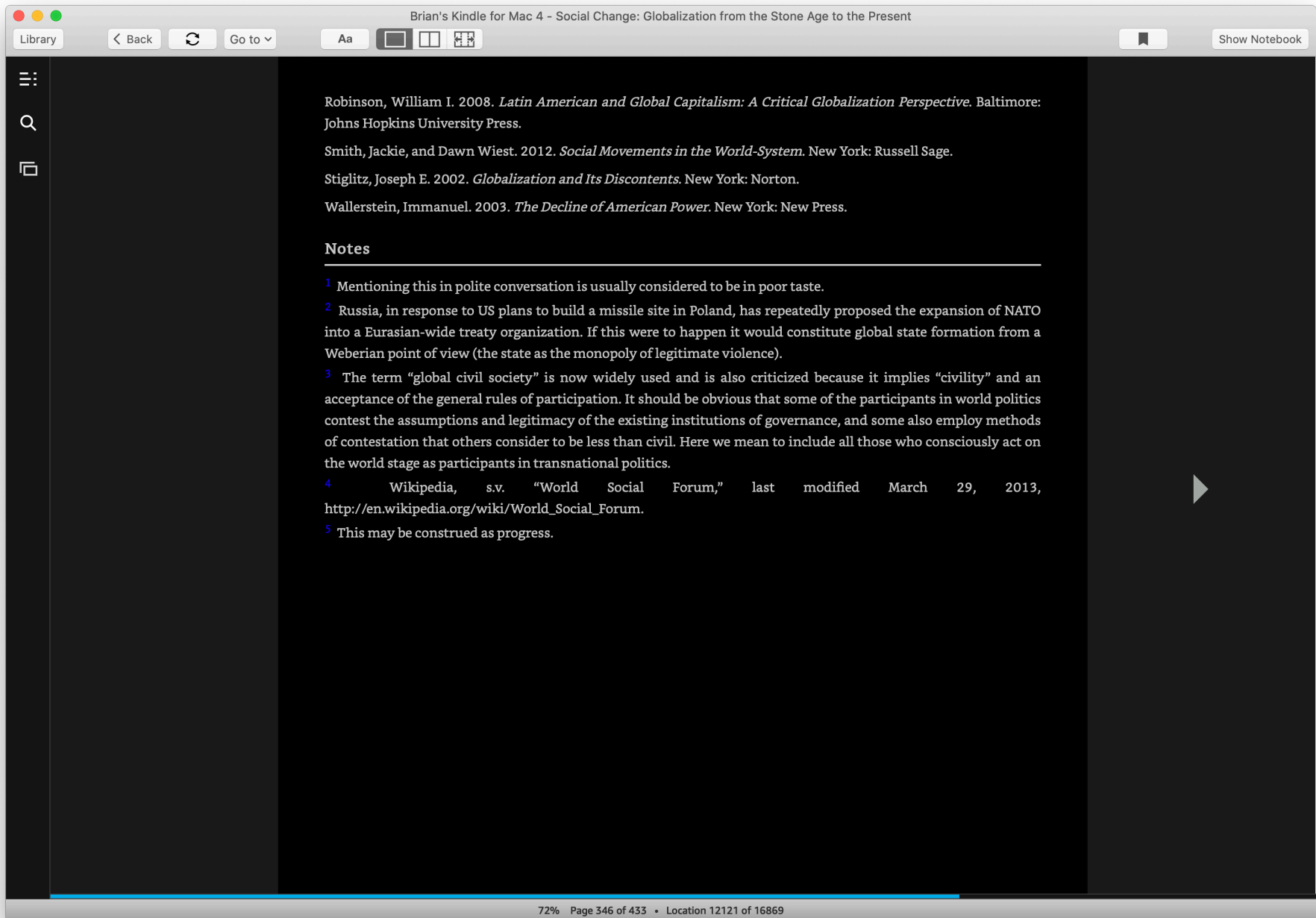
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### Notes

<sup>1</sup> Mentioning this in polite conversation is usually considered to be in poor taste.

<sup>2</sup> Russia, in response to US plans to build a missile site in Poland, has repeatedly proposed the expansion of NATO into a Eurasian-wide treaty organization. If this were to happen it would constitute global state formation from a Weberian point of view (the state as the monopoly of legitimate violence).

<sup>3</sup> The term "global civil society" is now widely used and is also criticized because it implies "civility" and an acceptance of the general rules of participation. It should be obvious that some of the participants in world politics contest the assumptions and legitimacy of the existing institutions of governance, and some also employ methods of contestation that others consider to be less than civil. Here we mean to include all those who consciously act on the world stage as participants in transnational politics.

<sup>4</sup> Wikipedia, s.v. "World Social Forum," last modified March 29, 2013, [http://en.wikipedia.org/wiki/World\\_Social\\_Forum](http://en.wikipedia.org/wiki/World_Social_Forum).

<sup>5</sup> This may be construed as progress.