Wallerstein’s World Economic System Theory

Wallerstein’s world economic theory acts as a guide to describe the changes that led to shape the world into what it is today. It focuses specifically on the changes in Western Europe between 1450 and 1670, as this was a period of significant development. As with any other model or theory, however, Wallerstein’s has its own set of strengths and weaknesses that can be demonstrated by evaluating the effectiveness of the model with real applications. Colonial America displays characteristics of several portions of Wallerstein’s model, which indicates a rough fit. Within its position in the world economy as well as its own internal labor divisions, it displays attributes of both “core” and “peripheral” systems. In the 21st century, Wallerstein’s theory continues to hold for the most part; however, some small revisions may be necessary due to the changing nature of the world economy.

Wallerstein’s model makes an attempt to explain one large world economy composed of small systems. The existence of four categories allows for three major groupings – core, peripheral, and external. The final category, called “semi-peripheral”, constitutes those that are some sort of combination of “core” and “peripheral”. The inclusion of this category allows for systems that are neither this nor that, and therefore is a strength of Wallerstein’s model. The best way to evaluate any model’s strengths and weaknesses is to apply it to the real world, for applicability determines the quality of the model. Thus, the number of countries it portrays accurately shows the model’s validity. In “A Summary of Immanuel Wallerstein, The Modern World System”, the author provides examples for each type of economic system it describes, from during the time period between 1450 and 1670. For example, core countries were England, France, Holland; the peripheries consisted of Eastern Europe and Latin America; semi-peripheries were Portugal, Spain, Italy, Germany, France; and external described Russia. Each of these examples, according to Wallerstein, fit nicely into his model and thus shows a degree of validity. Clearly, Wallerstein’s theory is not confined to a select few systems; his model is broad enough to encompass regions all over the world during this time period.
Colonial America fits into Wallerstein’s theory but not perfectly. It does exhibit characteristics from the “periphery” and “core” categories of Wallerstein’s theory. This suggests that it may be categorized as a “semi-periphery” economy; however, it is neither clearly ascending nor descending into one or the other, which Wallerstein marks as a characteristic of this type of economy. Colonial America displays several characteristics of the “periphery” category, such as the lack of a strong central government. For example, communities played a vital role in enforcing law. One’s punishment for an offense depended on his or her status within the community, and jurors often allowed for a lot of flexibility. Laborer might get their bodies flogged or their ears cropped for a crime while a gentleman might be released on a fine. On a similar note, the colonial American economy featured various types of currency, namely the English pound, the Spanish peso, the Dutch guilder, and various types of state-issued paper currencies. The inconsistency of currency and the many frauds that arose as a result were largely extinguished when a strong centralized government arose post-revolution and ordered a standard, uniform currency. The existence of many small governments, rather than a strong unified one, points to colonial America’s categorization as a “peripheral” system, which is characterized in part by the lack of a strong central government.

Another classic “peripheral” characteristic, according to Wallerstein, is an economy’s reliance on coercive labor practices. Slavery was a core part of colonial America and a significant component of its history. According to Rockman in “Work in the Cities in Colonial British North America”, nearly three-fourths of all incoming immigrants to the colonies arrived in some condition of enslavement. Of the immigrants that arrived in America between 1700 and 1775, there were nearly as many enslaved Africans as free Europeans. Aside from slaves, indentured servants also worked in the colonies. In Philadelphia, for example, there were twice as many slaves as indentured servants, and the former constituted one-fifth of the labor force there. The economy depended heavily on both types of labor; slaves were essential in working plantations while indentured servants helped free their masters from household duties, giving them time to perform other tasks.

Colonial America neither experienced equal relations with other regions nor practiced it within their labor force. Britain tried to take advantage of the colonies by taxing them unfairly; the pricy taxes on stamps and on tea, the latter of which ultimately led to the Boston Tea Party, represent examples of this. This goes to show that colonial America was not a “core” as it was
exploited by another richer region – in this case, Britain. Furthermore, in reference to labor, Rockman notes very clearly that the phrases “working class” and “the poor” describe the same group of people. He states that “labor enriched those who could buy or compel it, but did not promise an escape from material deprivation for those who performed it.” Franklin also noted the clear distinction in the division of labor, particularly the divide between the upper-class “gentlemen” and the normal laborers. The former group regarded the latter as part of a level conspicuously below their own, and this gap “overwhelmed”, according to Wood, all other social divisions in the colonial American society, including the gap between commoners and workers. Gentlemen were, furthermore, significantly richer than the commoners and thrived on some sort of unseen income. This emphasizes the “core” attribute of local bourgeoisie capitalizing on the work of laborers. Therefore, these points seemingly contradict colonial America’s categorization within Wallerstein’s theory, which shows that it does not fit well into his model.

Doubtless, during the colonial period of America’s history, it experienced growth in population and shifts toward becoming an industrialized nation. That is, the beginnings of colonial America primarily depended on agriculture to survive. Towards the late 18th century and into the 19th, a series of inventions occurred to speed up production in industries such as textiles and the economy moved towards a manufacturing type of system. This change supports its label as a “semi-periphery” economy, as it displayed peripheral-like qualities but attempted to improve them to become more of a manufacturing economy. In short, colonial America fails to fit well into Wallerstein’s model due to its many contradictions in different facets of its economy.

A final test of Wallerstein’s theory’s strength is to challenge its applicability over time. Although models that accurately describe only a certain time period are valid, a truly strong model holds even after centuries of change. Wallerstein mentions increasing agricultural production in his description of core systems. Though this may have characterized core regions in the time period that Wallerstein targeted, as of the 21st century, agriculture as a large source of revenue has shifted to semi-periphery and periphery systems. The United States, which is currently “the largest and most technologically powerful economy in the world” according to the CIA, exemplifies a core system that has largely moved out of agriculture (currently 1.2% of the United States’ GDP) and into the services sector which makes up 76.9% of its GDP. As one of the wealthiest nations on the planet and one that benefits greatly from a capitalist economy, America’s lack of emphasis on agriculture represents an example of necessary revisions in
Wallerstein’s theory. The agriculture that once generated the bulk of a wealthy country’s income no longer is the case on the 21st century.

Another weakness of this theory is the constantly changing state of the world economy. For example, China once had a closed economy. With Mao Zedong’s social and economic reforms, however, China’s economy opened up to international trade under their open door policy. Due to this change, Wallerstein’s “external” economy label can no longer be applied in this case. As time goes on and globalization expands, fewer and fewer countries will fall into the “external” category that Wallerstein describes, and one day this label may simply be eliminated. Modern examples of closed economies are rare. Some cite North Korea as one – the CIA calls it “one of the world's most centrally directed and least open economies”; however, data from the CIA world fact book indicate that North Korea engages in a limited amount of trade with countries such as China, South Korea, Thailand, and Russia. Nevertheless, the number of Wallerstein’s “external” systems decreases as globalization becomes more prominent and countries become more dependent on imports and exports to get what they need.

For the most part, however, Wallerstein’s theory still can be applied to the modern world economy. The United States exhibits many characteristics of a “core” – the strong central government, the extensive government structure, and the large armies or strong national security. Though each of the fifty American states has some level of control over its people, the central government maintains greater control and power. Furthermore, America’s government structure is doubtlessly extensive, with three main branches and a complex checks and balances system to discourage corruption. Likewise, many other countries fall neatly into the model as well. For example, Africa exemplifies a “peripheral” region. The area is rich in raw materials, such as the diamonds that laborers extract from the land and export to other areas for refinement. The labor involved is often coercive; a popular issue in Africa is that of “blood diamonds”, which are illegal diamonds farmed by kidnapped laborers, often children, forced into slavery. Furthermore, instability in African governments is widely known and again falls into accordance with Wallerstein’s “peripheral” system, which lacks a strong central government. The evolution of the world economy has changed some countries’ relationships with others; however, as a general model, it still holds true.
8 Wood, *The Americanization of Benjamin Franklin*, p. 35.