10. Models of growth and stagnation
10.1 Position and mobility in the contemporary world-economy
A structuralist perspective

Salvatore J. Babones

Introduction

Viewed from a very broad perspective, the distribution of rewards in the modern world-economy has been incredibly stable over time. Since the full incorporation of all areas of the world into the Europe-dominated world-economy in the late nineteenth century there has been very little change in relative incomes. The richest areas then (Europe and North America) are still rich today and the poorest areas then (Africa, indigenous central America, south and southeast Asia) are still poor today. Coastal China is still somewhere in the middle. Parts of east Asia have become very rich, but the richest part of all—Japan—was already middle-income in the late nineteenth century. In fact, according to data from Maddison (2010) the correlation of logged national income per capita in 1870 with logged national income per capita in 2008 for the 10 major world regions is a remarkable $r = 0.93$. There has been virtually no change in relative incomes in over a century of otherwise massive change.

Neoclassical economists have been predicting the convergence of poor countries with rich countries ever since the 1950s. Neoclassical economics predicts that capital will flow from rich countries to poor countries, labor will flow from poor countries to rich countries, and technology will equalize everywhere, leading to one great global economic convergence. Since most neoclassical economists have been based in the United States, their assumption has generally been that the rest of the world will converge to US levels of economic productivity; they have universally ignored the obvious implication of their arguments, which is that all countries would be expected to converge to the global mean (i.e., Mexico), not to the global maximum. In any case, the simple fact is that neoclassical unconditional convergence has absolutely failed to occur (Babones 2009).

Sociologists at least would not be surprised to find out that there is a long-lasting structure to the world-economy. Wallerstein (1974a) seminally recognized the existence (and persistence) of a three-tier structure in the modern world-economy. He adapted the dependency school approach of Frank (1967) and other Latin Americanists that divided locations in the world-economy into a metropolitan “core” and a marginal “periphery,” inserting it within a more traditionally sociological framework of class analysis. Wallerstein went further, however, to distinguish economic and political systems, embedding one inside the other. Where an economic system includes within...
it multiple polities, a capitalist world-economy results. Where a political system includes within it multiple economies, a military world-empire results. World-economies and world-empires together comprise the two historical types of world-systems.

Wallerstein went on to identify three broad structural locations in both kinds of world-system: the core and periphery, certainly, but in addition to these an intermediate position he called the semiperiphery. In world-empires, Wallerstein identified long-distance luxury trading networks as occupying a semiperipheral position. In world-economies, he identified a group of widely-disparate sovereign states that were both “exploited and exploiter” (Wallerstein 1974b: 405). Wallerstein (1974b) argued that the existence of the semiperiphery is not just an empirical fact, but a necessary factor in ensuring the stability of the world-system. He explicitly argued that in the absence of a semiperiphery, the world’s periphery would ultimately unite and overwhelm the (numerically much inferior) core. The existence of semiperiphery polities prevents the unification of the exploited areas of the world-system by setting their immediate interests against each other.

Wallerstein (1974a) observed that world-systems throughout history have always had three-tier structures, whether they were world-economies like today’s world-system or world-empires like ancient Rome. Given the very long time frames over which world-systems can exist (Hall and Chase–Dunn (2006) trace the direct lineage of today’s world-system back to 1500 BCE), this implies that the specific identities of the core, semiperipheral, and peripheral areas can change over time. In fact, Wallerstein argued throughout his early work that though the structure of core, semiperiphery, and periphery was always present in world-systems, the specific identities of the particular countries and areas that made up the core, semiperiphery, and periphery change as an ordinary feature of world-system dynamics. He argued that even in the modern world-economy, countries and areas regularly move up and down in the systemic hierarchy.

Surely in the longue durée they do. The question is: how longue is longue? In this essay I argue that countries’ locations in the contemporary world-economy are relatively fixed. Certainly there has been mobility since the era of the ancient Hittites—or the era of the Hapsburgs—but that is hardly relevant to most people and policymakers today. Over the moyenne durée in which the overall character of the system remains stable, countries’ locations in the core, semiperiphery, and periphery generally do not change. Considering the contemporary world-system to date from the point in the late nineteenth when the modern world-system came to circumscribe the entire geographical world, there has been virtually no mobility at all. This leads me to propose a new, structuralist theory of world-system stratification that may explain the observed patters of stability (and mobility) better than the canonical approach derived from Wallerstein.

A structuralist perspective on position and mobility

In the contemporary world-economy, a single system-wide division of labor cuts across many different countries. Though individuals occupy economic locations in this unified division of labor, countries occupy political locations. Core, semiperiphery, and periphery thus describe differing political (not economic) locations in the world-system. Countries—or at least the state apparatuses that govern countries—are influenced by at least a portion of their citizens and serve as vehicles through which these citizens attempt to gain advantages in the super-national world market. Countries generally do not, however, participate directly in that market. What then makes a specific country a core, semiperipheral, or peripheral country?

The answer to this question is not well-defined in Wallerstein, who takes a historicist approach to the emergence of world-system structure. Arrighi and Drangel (1986) identified this as a major gap in our understanding of world-systems and offered an economistic answer based on locations in commodity chains. Arrighi and Drangel divided commodity chains into “core-type,” high
value-added nodes and “peripheral-type,” low value-added nodes. In their view, a core country is one in which a large proportion of the population participates in economic activities that correspond to core-type nodes, while a peripheral country is one in which a large proportion of the population participates in peripheral-type nodes. Countries are continually working through their state machineries to upgrade the activities within their borders into core nodes (or prevent their sliding into peripheral nodes). A semiperipheral country is simply one in which there is a “more or less even mix” (p. 26) of core and peripheral nodes.

In contrast with Wallerstein’s (rather teleological) argument that the world-system must have three tiers to remain stable, Arrighi and Drangel’s explanation of world-system structure is at least theoretically-grounded. Nonetheless, in its details it strains credulity. Arrighi and Drangel claimed that semiperipheral states are active in resisting the slide of their countries into the periphery through careful management of their economies, using an ever-changing mix of selective protection of their home markets and competitive exploitation of their low-cost advantages to maintain their precarious middle positions. This seems more just-so story than empirically-grounded reality. If there is little empirical justification for Wallerstein’s (1974b) claim that semiperipheral countries today are some kind of conduit for the exploitation of peripheral countries by core countries, there is even less for Arrighi and Drangel’s (1986) account of canny semiperipheral states outsmarting the system to maintain (somewhat) privileged economic positions for their citizens.

A more realistic theory to explain the three-tier structure of countries in the contemporary world-system can be derived from a crumb dropped from Wallerstein’s grand table. Wallerstein (1979: 72) observed that “a clear and distinctive feature of a semiperipheral state” is the fact that “[t]he direct and immediate interest of the state as a political machinery in the control of the market (internal and international) is greater than in either the core [or] the peripheral states.” Arrighi and Drangel (1986) similarly observed the very large role played by semiperipheral states in their own countries’ economies. Given the nature of core, semiperiphery, and periphery as the locations of countries—not individuals—in the modern world-economy, it would make sense to derive the categories from the attributes of countries, not as some kind of average of the attributes of the individuals who live within them. In other words, individuals participate in “core-type” or “peripheral-type” activities because of the systemic positions of the countries in which they live, not the other way around.

In this structure-first or “structuralist” perspective, core countries are seen as those that are governed by state machineries that are strong enough to secure major advantages in the world market for their own citizens, especially through the exploitation of populations in peripheral countries. So far, so Wallerstein. Peripheral countries are those that do not possess strong enough states to prevent the exploitation of their populations by economic actors located in countries and operating with the support of core states. So far, so Frank. The main difference between the structuralist perspective and the canonical approach in world-systems analysis is in its understanding of the semiperiphery. In the structuralist approach, the semiperiphery is made up of those countries in which the state is strong enough to retard major exploitation from the core but not strong enough to project its own power externally. Instead of focusing on helping its citizens engage in external exploitation, semiperipheral states mainly focus on helping internal elites exploit their own populations.

Today’s (unambiguously) core countries are—without exception—either (1) the imperial countries that conquered major colonial empires during the rapid expansion of the Europe-centered world-economy through the end of the nineteenth century or (2) countries that are both geographically and culturally contiguous with those imperial countries (and which participated in imperial colonialism indirectly through negotiating access rights for their citizens). All of these countries gained their current positions through dispossession of one form or another, directly or
indirectly. The formerly imperial countries that are not current core countries—China, Russia, Turkey—acquired their empires before being incorporated into the modern world-economy and were incorporated (empires included) as semiperipheries. Japan, it should be noted, embarked on its program of colonialism only after incorporation and in an explicit policy effort to avoid peripheralization.

In contrast, today’s (unambiguously) peripheral countries have, for the most part, never been allowed to develop strong state machineries. Throughout sub-Saharan Africa (with the exception of South Africa) the currently existing countries have culturally and geographically arbitrary borders and have, for the most part, never in all of history been governed as countries by unified state machineries. There once were strong African polities, but these were long ago shattered Humpty-Dumpty style and have never been put back together again. The same is true in Central America and the Andean region. Throughout Latin America, as in Africa, only the European settler states have avoided peripheralization. In Asia the most peripheral states are those in which the state machinery was imposed and then withdrawn (French southeast Asia) or in which there had never existed any state machinery to speak of (Afghanistan, Bangladesh).

The semiperiphery, on the other hand, is composed of countries that are governed by states that are strong enough to police their borders, collect taxes and customs, and maintain effective rule of law. In other words, semiperipheral countries are those that possess states that are strong enough to enforce “order”—including exploitative property rights—throughout their territories. In this view, semiperipheral status doesn’t guarantee that a country will achieve a medium income level, but medium income levels are only achievable in semiperipheral countries. In Arrighi and Drangel’s terms, semiperipheral countries (unlike peripheral countries) can support core-type nodes. On the other hand, it is very difficult for a semiperipheral country to break into the core of the world-economy, especially in an increasingly open global economy.

The differences between the structuralist perspective presented here and the received wisdom in world-systems analysis may seem minor, but they have major implications for understanding economic growth trajectories outside the core of the world-economy. Wallerstein and Arrighi find development opportunities for the periphery and semiperiphery at times when the larger world-economy is in crisis, particularly during what they see as Kondratieff “B” phases. The structuralist perspective would suggest no such opportunities. Instead, the structuralist perspective would suggest that the main route to improved living standards in peripheral countries is through the development of strong, effective government, while the main route in semiperipheral countries is through the transition from government in the interests of elites to government in the interests of all citizens.

The empirical literature on structural income mobility

What are the empirical facts on mobility in the contemporary world-economy? There have been a dozen or so major empirical studies of the structure of the world-economy. Most adopt a network approach, analyzing networks of international trade (and sometimes investment) flows to arrive at measures of world-economic centrality. A recent example that reviews most of the prior literature is Clark and Beckfield (2009). Network-based studies have generally shown a three-tier structure in the international trading system that corresponds reasonably well to qualitative categorization of countries into core, peripheral, and semiperipheral locations. Though not based on income, the results of network-analytic studies show that the world’s trading system is patterned similarly to its income distribution.

Another stream of research on world-system structure has focused specifically on the distribution of national income per capita. These studies have shown an empirical stratification of the
world-economy by national income into core, semiperipheral, and peripheral bands. Very roughly speaking, core countries have been identified as having national income levels over $20,000 per person per year, peripheral countries under $2000, and semiperipheral countries in between $2000 and $20,000. Separating each income category is a range of national income levels (around $2000 and around $20,000) that are relatively under-populated, suggesting that the core, semiperipheral, and peripheral bands represent distinct hierarchical positions, not just locations on a continuum. The results of income-based studies generally agree with the results of network-based studies. A third approach, based on the discriminant analysis of development indicators (Dezzani 2001) similarly identifies three distinct bands.

A major focus of these studies of system structure has been on quantifying the degree of mobility in the world-economy. Focusing on income-based studies as the most relevant here, Arrighi and Drangel (1986) found that 95 percent of the world’s countries occupied substantially the same position in 1975/1983 as compared to their starting points in 1938/1950. Using a much wider panel of countries, Babones (2005) similarly reports that 83 percent of countries occupied the same position continuously between the years 1975–2002. Out of 103 countries studied, only 17 changed position, and 15 of these 17 changes were upward and downward mobility between the semiperiphery and the periphery. Dezzani (2002) also found stratum persistence rates of between 72 percent and 100 percent over the period 1960–90. Given the r = 0.93 long-term correlation of national income levels cited at the beginning of this essay, such high levels of positional persistence are not surprising.

Though there have been many cases of mobility over the moyenne durée covered in these studies, they are mostly cases of small countries that were already close to the boundary between two structural locations. Moreover, as Arrighi and Drangel (1986: 47–49) were at pains to point out, in the majority of cases the observed mobility is temporary: countries revert to their starting positions after some fleeting run of good or bad macroeconomic or geopolitical luck. I would go further than Arrighi and Drangel and argue that income level is just an indicator of world-economic position, not world-economic position itself. In the structuralist understanding of world-economic position, structural positions are political, not economic. Countries’ income levels (and trading positions) serve as reasonably good indicators of those positions, but the positions themselves are much less volatile.

The tendency of mobile countries to return to their starting points is strong (though indirect) evidence in support of this view. Fundamentally the issue is this: when a country is affected by a random economic shock (e.g., the discovery of vast oil reserves), does that place the country in a new position (and consequently a new development trajectory)? Or does it provide a temporary one-off boost that will slowly disappear over time as old patterns, based on internal politics, reassert themselves? In the next section I consider this question in light of actual examples of income mobility in the contemporary world-economy.

Specific cases of high income mobility

Since the late nineteenth century, there have been three kinds of mobility in the world-economy that together encompass almost all cases of countries making substantial moves up or down the national income hierarchy of the world-economy. These are (1) mobility due to swings in commodities prices, (2) mobility due to the growing economic primacy of cities, and (3) mobility due to returns to equilibrium. All three types are more consistent with the structuralist approach than with the canonical approach to world-system structure. The only major case of country mobility in the contemporary world-system not covered by these three types is Japan, which provides perhaps an example for other states wishing to escape the dictum that structure is destiny.
(1) Mobility due to commodity price swings

An unsurprising feature of Babones’ (2005) study of position and mobility in the contemporary world-economy is that whenever oil prices were high, Saudi Arabia advanced to core-type income levels, but whenever oil prices were low, Saudi Arabia receded to a national income level more characteristic of the semiperiphery. Obviously, Saudi Arabia’s economy is dependent on oil. Dezanni (2001, 2002) confirms as much when his discriminant analyses show that the OPEC countries form a distinct grouping in the world-economy that do not obey the general structural rules that apply to the rest of his panel. This is not surprising. The lessons of OPEC, however, can be applied beyond oil. For example, the national income per capita of the small Pacific island of Nauru peaked at core levels at the height of its phosphate boom, only to drop back again when the boom was over.

Structural contrarians are fond of pointing to the formerly high living standards of the southern cone countries of Argentina, Chile, and Uruguay as evidence that countries can and do fall out of the core of the world-system. This is, frankly, nonsense. In 1900, the southern cone countries were commodity economies, pure, and simple. They were never able—never tried—to turn their commodity booms into society-wide economic development (Cypher 2010). The real world prices of non-fuel commodities rose by a factor of four or more between 1820 and 1910 and stayed high until the early 1950s (Ocampo and Parra-Lancourt 2010: 17), and national income rose and stayed high accordingly. From the 1950s to the 1990s, non-fuel commodities prices fell back by half, and the southern cone returned to semiperipheral income levels.

From a structuralist standpoint, neither in the OPEC case nor in the southern cone case did the world-systemic position of the relevant countries change. All of these countries have been continuously semiperipheral since the times of their decolonization. They all decolonized with working government administrations, reasonably rational geographies, and reasonably secure borders. Their economic roller-coaster rides are emblematic of the semiperipheral character of their economies. Highly diversified, modern core economies don’t experience massive economic swings due to commodity price movements, even when they are highly commodity dependent (witness Australia and Norway). These massive economic swings occur in the semiperiphery because semiperipheral economies are built on a narrow base of exploitation by elites, not a broad base of wide economic participation by the masses.

(2) Mobility due to the global rise of cities

The most striking example of mobility in the contemporary world-economy has certainly been the rise of east Asia. The four “Asian tiger” economies of Hong Kong, Singapore, Taiwan, and Korea moved from low to high incomes in little more than a generation. None of these states, however, is in the full sense a country. Arrighi himself recognized this, saying of Korea and Taiwan that:

neither of them is a nation-state in the full sense—South Korea living in constant hope or fear of being reunited with its northern half, and Taiwan in constant hope or fear of becoming the master or the servant of Mainland China. Finally, the two smallest but by no means least important states, the semisovereign Hong Kong and Singapore, are not nation-states at all but city-states.

(Arighi 1996: 8–9)

I would go further to claim that Taiwan and Korea are also not much more than city-states. In Taiwan, the extended Taipei metropolitan area makes up 38 percent of the population of national
population. In Korea, metropolitan Seoul makes up 42 percent of the population. Moreover, in both cases the capital is the richest part of the country.

This is relevant because a worldwide phenomenon of the post-1950 period has been the rise of cities. For whatever reasons, cities everywhere—from New York to Nairobi—are now much richer than their hinterlands than they were previously. Where Arrighi sees Hong Kong and Singapore as classic pre-modern semiperipheral trading states, I think it makes more sense simply to see them as cities shorn of their hinterlands. Hong Kong is rich, but were its data submerged in the data for China, it would be merely a rich city in a poor country, like Shanghai and Beijing. Singapore is rich, but were it still attached to Malaysia (as it was until 1965) it would be merely a rich city in a middle-income country. Both Hong Kong and Singapore are statistical oddities. They are not core countries, any more than Moscow (a similarly rich city) would become a core country were it to secede from Russia.

Similarly, Taipei is a rich Chinese city more than it is the capital of a core country. Taipei’s population was swelled by relatively privileged refugees from China, and much of Taipei’s income today is earned in its economic hinterland on the mainland. The government of Taiwan does not even officially recognize its own country as a distinct national entity. Of the four tigers, Korea comes closest to being an unambiguous country, but it is a country that is dominated by its two largest cities. It is also a country with a restricted hinterland (on account of the isolationism of North Korea). Perhaps not coincidentally, Korea is by far the poorest of the four Asian tigers, only about two-thirds as rich as Hong Kong. It is the closest to being a full country, and thus the farthest from wealthy core-type income levels.

The economic success of the four Asian tigers is not in doubt. This economic success, however, should not be equated with full participation in the core of the world-economy. The four Asian tigers are all relatively successful semiperipheral city-states.

(3) Mobility due to return to equilibrium

Today, of course, all the talk is of China and India, but mostly of China. I have recently treated the Chinese case in detail (and the Indian case in passing) elsewhere (Babones 2011). China is and has been since the end of its civil war a clearly semiperipheral country. Wallerstein consistently treated contemporary China as absolutely semiperipheral. On my criteria, it certainly has a state that is strong enough to police its borders, collect taxes and customs, and maintain effective rule of law. What kept China so poor for so long after 1950 was its disastrous economic policies. It was a poorly administered semiperipheral country that as a result attained income levels that were more characteristic of the periphery of the world-economy. Freed from the shackles of Maoism, China is fast becoming a classic semiperipheral country, with a few rich cities presiding over the mass exploitation of the population for the benefit of a state-connected elite.

Japan

That leaves Japan. Japan is the one unambiguous country to have risen to unambiguous core status only after incorporation into the contemporary world-economy. Japan, of course, is exceptional in many ways. It is the one formerly semiperipheral country to have conquered and exploited a large colonial empire after its own incorporation. In the post-war period, Japan had imposed on it what Arrighi (2003) called “the global new deal:” a US program to remake Japan in its own 1940s image. Japan implemented state-directed economic planning for the broad development of the entire country, urban and rural. In a wrenching fiscal transition, the Japanese state went directly from financing itself through indirect consumption taxes that fell mainly on the poor to a highly
progressive income tax with a top rate of 75 percent. It also pushed interest rates on savings artificially low (while preventing people from moving their money out of the country), a further, indirect tax on the wealthy.

The Japanese state invested all these newfound takings from the elite into an intensive internal development program. It brought roads, electricity, and bullet trains to previously isolated areas. It also pushed investment funds onto sometimes reluctant industrial groups, again preventing them from moving these funds out of the country. As a result, Japan’s industrial groups invested inside the country. Whatever the social cost, the overall economic effect of these policies was to develop the country as a whole rather than to enrich a few elite enclaves. Japan bootstrapped its way into the core.

Implications and conclusions

It may be going too far to say that structure is destiny, but from the time that the modern world-system came to encompass the entire world in the late nineteenth century, there has been only one unambiguous case of structural mobility from the semiperiphery into the core (Japan). Status mobility between the periphery and the semiperiphery has occurred on and off as powerful states have been able to establish full, effective control over their territories or (more rarely) have lost it. Income mobility has been rather more common, especially between peripheral and semiperipheral levels, as semiperipheral states have pursued more or less disastrous economic policies. Absolute self-interest in almost all cases has prevented semiperipheral elites from allowing their states to pursue development strategies that might have a chance of lifting their countries into the core of the world-economy.

The structural approach suggests that most economic mobility in the world-economy derives from one of four root causes: (1) the establishment of effective states in peripheral countries (turning them into semiperipheral countries); (2) the disintegration of effective states in semiperipheral countries (turning them into peripheral countries); (3) global price shocks that temporarily raise or lower countries’ levels of national income; (4) returns to equilibrium after price shocks. This is not to say that real mobility is impossible. It is just to say that real mobility—especially mobility into the core—is rare. The system is fixed not just in its overall contours but also in its specific details.

What of the future? The best hope for the future is that peripheral countries will gain effective government and that semiperipheral countries will wrest their state apparatuses away from the control of national elites. The former is a tough nut, but history and reason suggest that strong states will emerge more often than they will disintegrate. Over time, more and more of the world’s peripheral countries should transform themselves into semiperipheral countries. The latter—the economic democratization of semiperipheral states—seems less certain. National elites have strong incentives to use their states to further their own parochial interests. The 2009–10 almost-revolution in Iran and the 2011 revolutions in Tunisia and Egypt suggest that perhaps the Internet is finally living up to its transformative potential to break this cycle, but internet-crazy China shows no signs of an online revolution. For most countries, the semiperiphery may be as good as it gets.

References


335