

# After Developmentalism and Globalization, What?\*

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In 1900, in preparation for the Exposition Universelle in Paris, the French Ministry of Colonies asked Camille Guy, the head of its geographical service, to produce a book entitled *Les colonies françaises: la mise en valeur de notre domaine colonial*. A literal translation of *mise en valeur* is “making into value.” The dictionary, however, translates “mise en valeur” as “development.” At the time, this expression was preferred, when talking about economic phenomena in the colonies, to the perfectly acceptable French word, “*développement*.” If one then goes to *Les Usuels de Robert: Dictionnaire des Expressions et Locutions figurées* (1979) to learn more about the meaning of the expression “*mettre en valeur*,” one finds the explanation that it is used as a metaphor meaning “to exploit, draw profit from.”

Basically, this was the view of the pan-European world during the colonial era concerning economic development in the rest of the world. Development was a set of concrete actions effectuated by Europeans to exploit and draw profit from the resources of the non-European world. There were a number of assumptions in this view: Non-Europeans would not be able or perhaps even willing to “develop” their resources without the active intrusion of the pan-European world. But such development represented a material and moral good for the world. It was therefore the moral and political duty of the pan-Europeans to exploit the resources of these countries. There was consequently nothing wrong with the fact that, as a reward, the pan-Europeans who exploited the resources drew profit from them, since a secondary advantage would go to the persons whose resources were being exploited in this way.

This rationale of course completely omitted discussion of the cost in life and limb to the local people of such exploitation. The conventional calculus was that these costs were, as we would say in today’s euphemisms, the necessary and inevitable “collateral damage” of Europe’s “civilizing mission.”

The tone of the discussion began to change after 1945, primarily as a result of the strength of anticolonial sentiments and movements in Asia and Africa,

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and a new sense of collective assertiveness in Latin America. It is at this point that “development” came to be used as a code word for the belief that it was possible for the countries of the South to “develop” *themselves*, as opposed to “being developed” by the North. The new assumption was that, if the countries of the South would only adopt the proper policies, they would one day, some time in the future, become as technologically modern and as wealthy as the countries of the North.

At some point in the post-1945 period, Latin American authors began to call this new ideology “*desarollismo*” or “developmentalism.” The ideology of developmentalism took a number of different forms. The Soviet Union called it instituting “socialism,” which became defined as the last stage before “communism.” The United States called it “economic development.” Ideologues in the South often used the two terms interchangeably. Amidst this worldwide consensus, all the states of the North—the United States, the Soviet Union (and its East European satellites), the West European colonial (now becoming ex-colonial) powers, and the Nordic countries plus Canada—began to offer “aid” and advice concerning this development that everyone favored. The Economic Commission for Latin America (CEPAL) developed a new language of “core-periphery” relations, used primarily to justify a program of “import-substitution industrialization.” And more radical Latin American (and other) intellectuals developed a language about “dependency,” which, they said, needed to be fought against and overcome in order that dependent countries be in a position to develop.

The terminology may have differed but the one thing that was agreed upon by everyone was that development was indeed possible, if only. . . . When therefore the United Nations declared that the 1970s would be the “decade of development,” the term and the objective seemed virtually a piety. Yet, as we know, the 1970s turned out to be a very bad decade for most of the countries of the South. It was the decade of the two successive oil price increases instituted by OPEC and of stagflation in the North. The consequent rise in the cost of imports for countries in the South combined with a sharp decline in the value of their exports because of the stagnation in the world-economy created acute balance of payments difficulties for just about every one of these countries (including those in the so-called socialist bloc), with the sole exception of those which were oil-exporting states.

The oil-exporting states acquired incredibly large surpluses, a large part of which they deposited in banks in the United States and Germany, who thereupon needed to find a remunerative use for this extra capital. They found it in loans to states with acute balance of payments difficulties. These loans, actively promoted by the banks themselves, solved both problems: finding an outlet for the surplus money in the accounts of the banks of the North and solving the liquidity problems of the virtually insolvent states of the South. But, alas, the loans led to cumulative interest payments which, by 1980, had led to even greater balance of payments difficulties in these states. Loans unfortunately are supposed to

be repaid. The world thus arrived at the suddenly discovered so-called debt crisis—Poland in 1980, Mexico in 1982, and then all over the place.

It was easy enough to find the villain in the piece. The finger was pointed at developmentalism, so universally praised just a decade before. Import-substitution industrialization was now perceived as corrupt protectionism. State-building was deconstructed as feeding a bloated bureaucracy. Financial aid was now analyzed as money poured down a sink, if not a gutter. And parastatal structures, far from being virtuous efforts at pulling oneself up by one's own bootstraps, were exposed as deadening barriers to fruitful entrepreneurial achievement. It was decided that loans to states in distress, to be beneficial, needed to be hedged by requirements that these states cut wasteful state expenditures on such deferrable items as schools and health. It was further proclaimed that state enterprises were almost by definition inefficient and should be privatized as rapidly as possible, since private enterprises were again almost by definition responsive to the "market" and therefore maximally efficient. Or at least that was the consensus in Washington.

Academic buzz words and fads are fickle and usually last but a decade or two. Development was suddenly out. Globalization arrived in its wake. University professors, foundation executives, book publishers, and op-ed columnists all saw the light. To be sure, the optic, or better said the remedies, had changed. Now, the way to move forward was not to import-substitute but to export-orient productive activities. Down not only with nationalized industries but with capital transfer controls; up with transparent, unhindered flows of capital. In place of one-party regimes, let us all together study governance (a new word, splendidly erudite and quite inscrutable, if not meaningless). Above all, let us face Mecca five times a day and intone Allahu Akbar TINA—There is No Alternative.

The new dogmas took root in the 1980s amidst the decaying rot of developmentalist dreams. They flourished in the 1990s bathed by the sparkle of the "new economy" in which the United States and eastern Asia were supposed to be leading the world to its economic glory. But alas, the sheen began to tarnish. The currency crisis in East and Southeast Asia in 1997 (which spread to Russia and Brazil), the slide downward of the World Trade Organization from Seattle to Cancun, the fading of Davos and the spectacular rise of Porto Alegre, al-Qaeda and September 11, followed by the Bush fiasco in Iraq and the current accounts crisis of the United States—all this and more leads one to suspect that globalization as rhetoric may be going quickly the way of developmentalism. And hence our question—After Developmentalism and Globalization, What?

Let us not be too acerbic about faded theorizing. The whole discussion from 1945 to today has indeed been one long effort to take seriously the reality that the world-system is not only polarized but polarizing, and that this reality is both morally and politically intolerable. For the countries at the bottom, there seemed nothing more urgent than figuring out how to improve their situation, and first of all economically. After all, all these people had to do was see a movie and they

would know that there were other people and places in the world that were better off, far better off, than they were. As for the countries at the top, they realized, however dimly, that the “huddled masses yearning to breathe free” represented a permanent danger to world order and their own prosperity, and that therefore something, somehow had to be done to dampen the tinderbox.

So, the intellectual analyses and the derived policy efforts represented by the discussion about development and globalization were serious and respectable, if in retrospect quite misguided in many ways. The first question we need to ask now is, is it at all possible for every part of the world to attain—one day in a plausibly not too remote future—the standard of living of say Denmark (and perhaps also similar political and cultural institutions)? The second question is, if it is not, is it possible for the present lopsided and highly inegalitarian world-system to persist, more or less as such? And the third question is, if it is not, what kinds of alternatives present themselves to all of us now?

## I

Is it at all possible for every part of the world to attain—one day in a plausibly not too remote future—the standard of living of say Denmark (and perhaps also similar political and cultural institutions)?

There is no question that Denmark—and most OECD (Organisation for Economic Co-operation and Development) countries—have a quite decent standard of living for a substantial proportion of their population. The standard measure of internal variation of income, the Gini curve, shows quite low numbers for most OECD countries, and by world standards reasonably good ones for all of them (e.g., see Atkinson, Rainwater, and Smeeding). To be sure, there are many poor people in these countries, but compared to almost any country of the South, far fewer. So, of course, people in these poorer countries aspire to be as rich as people in Denmark. In the last few years, the world economic press has been full of stories about the remarkable rates of growth of China—a country which not too long ago was considered to be one of the poorest—along with much speculation about whether or not and to what degree these rates of growth can continue in the future and thereby transform China into a relatively wealthy country in terms of GDP per capita.

Let us leave aside the fact that many, many other countries have shown remarkable growth spurts for as much as up to 20–30 years, which rates then nonetheless petered out. There are, for example, the recent cases of the Soviet Union and Yugoslavia. Let us also leave out of the equation the long list of countries whose GDP was better in the further past than in the present. Let us assume for a moment that China’s economic growth continues unhindered for another twenty years, and that China’s GDP per capita approaches, let us say, if

not that of Denmark at least that of Portugal or even Italy. Let us even speculate that up to 50% of its population benefits significantly from this growth spurt, which is then reflected in their real income.

Is it credible to hold everything else constant, and to assume that, at the very least, everyone else remains where they are today in terms of standard of living? Where is the surplus value to come from that would permit 50% of China's population to consume at the level of 50% of Italy's population, while all the rest of the world consumes at a level at least as high as at present? Is this all supposed to come from the so-called greater productivity of world (or Chinese) production? It is clear that the skilled workers of Ohio and the Ruhr valley do not think so. They think they would pay for it, that they are already paying for it, by significantly reduced standards of living. Are they really so wrong? Has this not been happening in the past decade?

The first piece of evidence is the entire past history of the capitalist world-economy. In over five hundred years of its existence, the gap between the top and the bottom, the core and the periphery, has never gotten smaller, always larger. What is there in the present situation that should lead us to assume that this pattern would not continue? Of course, over those five hundred years, there is no question that some countries have improved their relative standing in the distribution of wealth in the world-system. Thus, it could be claimed that these countries had "developed" in some sense. But it is also true that other countries are lower in relative wealth rankings than earlier, some of them spectacularly so. And, although our statistical data is at most of even minimal quality only for the last 75–100 years, such comparative studies as we have do show a constant trimodal distribution of wealth in the world-system, with a few countries moving from one category to another.<sup>1</sup>

The second piece of evidence is that high levels of profit, and therefore of the possibility of accumulating surplus value, correlates directly with the relative degree of monopolization of productive activity.<sup>2</sup> What we have been calling development for the last fifty years or so is basically the ability of some countries to erect productive enterprises of a type considered to be highly profitable. To the extent that they succeed in doing this, they thereby reduce the degree of monopolization of production in this particular arena and hence reduce the degree of profitability of such production. The historic pattern of successive so-called leading industries—from textiles to steel and automobiles to electronics to computer technology—is clear evidence of this. The U.S. pharmaceutical industry is right now fighting a rear-guard battle against just such decline in potential profitability. Can Boeing and Airbus maintain their present profit levels in the face of competition by a putative Chinese aircraft construction industry twenty or thirty years from now?

So, basically, of two things one. Either the rising, so-called newly-developing countries will be crushed by some highly destructive process—warfare, plague, or civil war. And in this case, the existing economic centers of accumulation will

remain on top, and the polarization will be still more acute. Or the rising, newly-developing countries will be able to reproduce some of the major productive processes of the present centers. And in this case, either the polarization will simply be inverted (which is unlikely) or there will be a flattening of the curve. But in this latter case, the ability to accumulate surplus value in the world-economy taken as a whole will diminish severely, and the *raison d'être* of a capitalist world-economy will be undermined. In none of these scenarios does every country become a Denmark.

If there has come to be a general morosity about economic development and the positive benefits of globalization, it is, I would argue, because the sense that we are in a cul-de-sac has begun to creep in on more and more people—scholars, politicians, and above all ordinary workers. The optimism of the 1950s and 1960s, which was momentarily revived in the 1990s, is no longer with us.

I personally can see no way in which, within the framework of a capitalist world-economy, we can approach a general equalization of the distribution of wealth in the world, and even less an equalization that would have everyone consume at the level of the modal Danish consumer. I say this, taking into account all possible technological advances as well as increases in that elusive concept, productivity.

## II

If it is not [possible for all countries to achieve a Danish standard of living within the framework of the world-system in which we live], is it possible for the present lopsided and highly inegalitarian world-system to persist, more or less as such?

I doubt it. But of course we must be careful here, since predictions of dramatic structural change have been made so frequently over the past two centuries and have turned out to be inaccurate over a medium term because some crucial elements were left out of the analyses.

The major explanation of purported prospective fundamental structural change has been dissatisfaction of the exploited and oppressed. As conditions worsened, the people at the bottom, or some very large group, were destined—it was argued—to rebel. There would be what has usually been called a revolution. I shall not resume the arguments and counterarguments, which are no doubt quite familiar to almost anyone who has been seriously studying the history of the modern world-system.

The twentieth century was, among other things, the moment of a long series of national uprisings and social movements which proclaimed their revolutionary intents and which achieved state power in one form or another. The high point of these movements was the period 1945–1970, the period precisely of the flourishing

of developmentalism, which was in some sense the credo of these movements. But we also know that the period 1970–2000 saw the downfall of most of these movements in power, or at least a drastic revision in their policies. This was the period of the flourishing of globalization, whose logic these movements—those still in power or those now seeking to play a role of parliamentary opposition—sullenly accepted. So, we have the era of triumphalism followed by the era of disillusionment.

Some of the cadres of these movements adjusted to what were thought to be the new realities and others jumped ship, either into passive withdrawal or into joining actively the erstwhile enemy. In the 1980s and until the mid-1990s, antisystemic movements worldwide were in a bad way. By 1995, however, the momentary sheen of neoliberalism had begun to wear off and there ensued a worldwide search for new antisystemic strategies. The story from Chiapas to Seattle to Porto Alegre has been that of the emergence of a new kind of world antisystemic movement, sometimes called these days *altermondialisme*. My name for it is the spirit of Porto Alegre and I think it is going to be an important element in the world political struggles of the next 25–50 years. I shall return to it in my discussion of real alternatives now.

However, I do not believe that a new version of revolutionary movement is the fundamental factor in what I see as the structural collapse of the capitalist world-economy. Systems collapse not primarily because of rebellion from below but because of the weaknesses of the dominant classes and the impossibility of their maintaining their level of gain and privilege. It is only when the existing system is weakened in terms of its own logic that the push from below can possibly be effective.

The basic strength of capitalism as a system has been twofold. On the one hand, it has demonstrated an ability to ensure, against all odds, the endless accumulation of capital. And on the other hand, it has put into place political structures that have made it possible to guarantee this endless accumulation of capital without being dethroned by the rash and dissatisfied “dangerous classes.” The basic weakness of capitalism as an historical system today is that success is leading to failure (as Schumpeter taught us normally happens). As a consequence today, both the ability to guarantee the endless accumulation of capital and the political structures that have kept the dangerous classes in line are collapsing simultaneously.

The success of capitalism in ensuring the endless accumulation of capital has been in its ability to keep the three basic costs of production—costs of personnel, costs of inputs, and taxation—from escalating too fast. However, it has done this by mechanisms that have been exhausting themselves over historical time. The system has now begun to reach a point where these costs are dramatically too high to make production an adequate source of capital accumulation. The capitalist strata have turned to financial speculation as a substitute. Financial speculation, however, is intrinsically a transitory mechanism, since it is dependent

on confidence, and confidence in the medium run is undermined by the very speculation itself. Allow me to illustrate each of these points.

The costs of personnel are a function of the ongoing, never-ending class struggle. What the workers have on their side is the concentration of production (for reasons of efficiency) and hence their ability over time to organize themselves in both the work place and the political arena to put pressures on the employers to increase their remuneration. To be sure, employers always fight back by playing one set of workers off against another. But there are limits to doing this within the framework of a single country or a single local area, since there are political means by which the workers can encrust their advantages (legally and/or culturally).

Whenever we are in a Kondratieff A-phase, employers, faced with militant worker demands, usually prefer to allow remuneration to rise somewhat, since work stoppages do them more immediate damage than concessions. But as soon as we are in a Kondratieff B-phase, it becomes imperative for an employer who hopes to survive the bad times to reduce the remuneration package, since there is acute price competition. It is at this point that employers have historically resorted to relocation—the “runaway factory”—transferring their production to zones that have “historically”-lower rates of remuneration. But exactly what history accounts for these historically-lower rates? The answer is rather simple—the existence of a large pool of rural labor, for whom urban, waged employment, at whatever level of remuneration, represents a net increase in real income for the household. So, as remuneration goes up, more or less permanently, in one area of the world-economy, it is compensated in terms of the world-economy as a whole by the appearance of new cohorts of workers who will accept lower remuneration for the identical work, holding of course efficiency constant.

The problem with this solution to the regularly repeated problem of the owner/producers is that after 25–50 years the workers in this new zone of production are able to overcome their initial urban disorientation and political ignorance and proceed down the same path of class struggle as did others previously in other areas of the world. The zone in question thereupon ceases to be a zone of historically-lower remuneration, or at least not to the same degree. Sooner or later, the employers are required, in their self-interest, to flee again, relocating to yet another zone. This constant geographical shift of the zones of production has worked quite well over the centuries but does have an Achilles heel. The world is running out of new zones into which to relocate. This is what we mean by the deruralization of the world, which is going on apace, and at a very accelerated rate since 1945. The proportion of world population that lives in cities went from 30% to 60% between 1950 and 2000 (see Neubauer). The capitalist world-economy should run out of such zones entirely within 25 years at the most. There are already too few. And with modern means of communication, the time period for new zones to learn the lessons of how to organize has been drastically reduced. Hence, the ability of employers to keep remuneration in check has been drastically curtailed.

The costs of inputs is dependent on what percentage of the inputs the employer is required to pay. To the extent that he can get inputs free, his costs remain low. The major mechanism by which employers have over the centuries been able to avoid payment for inputs is by shifting the cost to others. This is called the externalization of costs. The three principal costs that have been externalized are detoxification, renewal of primary resources, and infrastructure.

Detoxification is easy to handle in the beginning. One dumps waste somewhere that is public or unoccupied. This costs next to nothing. The costs are usually not immediate, but delayed. The eventual difficulties become the problem of the “public”—either as individuals or collectively as governments. Clean-up, when it is undertaken, is seldom paid for by the original user. In premodern times, rulers moved to different castles as they ran out of sewage dumps. In the capitalist world-economy, producers do more or less the same. The problem here is identical to the problem of runaway factories and remuneration levels. We are running out of new prospective dumps. In addition, the collective cost of toxification has caught up with us, or at least we are more aware of it because of scientific advances. Hence, the world seeks to detoxify waste. This is called concern with the ecology. And as concern mounts, the question of who pays comes to the forefront. There is increasing pressure to make the user of the resources who leaves toxic waste pay the costs of detoxification. This is called internalization of costs. To the extent that governments impose such internalization of costs, the overall costs of production rise, sometimes quite steeply.

The issue of the renewal of primary resources is basically analogous. If forests are cut down, they may renew themselves via natural processes, but often slowly. And the faster forests are cut down (because of increased world production), the harder it is for the natural renewal process to take place in meaningful time. So here too, as the ecological concerns have come to the fore, both governments and social actors have put pressure on users either to restrain use or to invest in renewal. And to the extent that governments impose internalization of these costs, the costs of production rise.

Finally, the same is true of infrastructure. Infrastructure, almost by definition, is expenditure on costly activities that cannot be attributed to a single producer—for example, constructing public roadways over which transportation of goods takes place. But the fact that these costs cannot be considered the costs of a single producer does not mean that they cannot be considered the costs of a multitude of producers. Furthermore, the cost of such infrastructure has escalated geometrically. Yes, they are public goods, but the public can be specified up to a point. And once again, to the extent that governments impose even partial internalization of such costs, the costs of production rise.

The third basic cost of production is taxation. Any comparison of the total level of taxation in the world, or in any part of the world, with the world of a century ago reveals that everyone is paying higher taxes today, whatever the oscillation of the rates. What accounts for this? There are three major expenditures

of all governments—the costs of collective security (armies, police, etc.), the costs of all kinds of public welfare, and the costs of administration (most importantly, the costs of collecting the taxes). Why have these costs of government risen so steeply?

The costs of security have risen simply as a result of technological advance. The toys security forces use are every day in every way more expensive. After all, security is a game in which all sides always try to have more than their opponents. It is like an endless auction in which the bids are always being raised. Perhaps if we had a generalized nuclear holocaust, and the surviving world went back to bows and arrows, these costs would go down. But in the wake of anything less, I see no way to expect such a reduction.

In addition, the costs of welfare have been going up steadily and nothing is slowing them down, despite all the hoopla about doing that. They are going up for three reasons. The first is that the politics of the capitalist world-economy have pushed the dominant strata to make concessions to the dangerous classes, who have been demanding three things—education, health services, and guarantees of lifelong income. Furthermore, the level of the demands has been going up steadily and becoming more geographically extensive. In addition, people are living longer (partly the consequence of precisely these welfare measures), and hence the collective costs have increased because of the increase in the number of beneficiaries. The second reason is that advances in technology in education and health have increased the costs of providing the appropriate machinery (just as in the case of expenditures on security). And finally, the producers in each of these domains have taken advantage of this government-subsidized public demand to take a big cut of the pie.

Welfare, as the conservative complaint has said, has become an entitlement. And it is difficult to see how any government could survive a truly significant cutback in these expenditures. But of course, someone must pay for this. And producers in the end pay, either directly or via their employees who demand higher remuneration precisely to pay these costs.

We do not have good data on the steady increase of all these costs, but they are considerable. On the other hand, we cannot have a rise in the sales price of world goods to match the increase of production costs precisely because of the enormous expansion of world production which has reduced the multiple monopolizations and increased world competition. So, the bottom line is that the costs of production have risen faster than the sales prices of production, and this means a profit squeeze, which translates into difficulties in accumulating capital through production. This squeeze has been evident overall for some thirty years already, which accounts for the speculative rage that has encompassed world capitalists since the 1970s and which shows no signs of letting up. But bubbles burst. Balloons cannot be infinitely expanded.

To be sure, capitalists collectively fight back. This is what neoliberal globalization is all about—a massive political attempt to roll back remuneration

costs, to counter demands for internalization of costs, and of course to reduce levels of taxation. As has happened with every previous such counteroffensive against rising costs, it has succeeded partially, but only very partially. Even after all the cutbacks by the most reactionary regimes, the costs of production in the first decade of the twenty-first century are markedly higher than they were in 1945. I think of this as the ratchet effect—two steps forward and one step backward add up to a secular rising curve.

As the underlying economic structures of the capitalist world-economy have been moving in the direction of reaching an asymptote which makes it increasingly difficult to accumulate capital, the political structures that have been holding the dangerous classes in check have also run into trouble.

The period of developmentalism, 1945–1970, was also the period of the triumph of the historic antisystemic movements, which came into power in one form or another almost everywhere. Their biggest promise had been the developmentalist dream. When that failed, the support of their followers disintegrated. The movements, whether they called themselves communist or social-democrat or national liberation movements, fell from power almost everywhere. The period of globalization, 1970–2000, was the period of deep disillusionment with the historic antisystemic movements. They fell from grace and are unlikely to attract the deep loyalty of the mass of the populations again. They may be supported electorally as better than the other guys, but they no longer are deemed worthy of the faith they represented for a golden future.

The decline of these movements—the so-called Old Left—is not in fact a plus for the smooth functioning of the capitalist world-economy. While these movements were antisystemic in their goals, they were disciplined structures which controlled the spontaneous radical impulses of their followers. They mobilized for specific actions, but they also demobilized followers, especially when they were in government, insisting on the benefits in a distant future, as opposed to untrammelled disturbances in the present. The collapse of these movements represents the collapse on constraints on the dangerous classes, who thereby become dangerous again. The spreading anarchy of the twenty-first century is the clear reflection of this shift.

The capitalist world-economy is today a very unstable structure. It has never been more so. It is very vulnerable to sudden and swift destructive currents.

### III

If it is not, what kinds of alternatives present themselves to all of us now?

It is not very comforting to anyone in countries of the South to say that the present world-system is in structural crisis and that we are in a transition from

it to some other world-system over the next 25–50 years. They will want to know what happens in the meantime, and what if anything they can or should do to improve the lot of the populations of these countries right now. People tend to live in the present, as indeed they should. On the other hand, it is important to know what are the constraints of the present in order that our actions be maximally useful, in the sense that they further the objectives we seek in some meaningful way. So, let me indicate what I think is the scenario over the next 25–50 years, and what that implies for the immediate present.

The scenario over the next 25–50 years is twofold. On the one hand, the collapse of our existing historical system is most likely for all the reasons I laid out just previously. On the other hand, what will replace the existing system is completely uncertain, inherently unpredictable, although all of us can have input into that uncertain outcome. It is inherently uncertain because, whenever we are in a systemic bifurcation, there is no way of knowing in advance which fork in the road we shall collectively take. This is the message of the sciences of complexity (see Prigogine).

On the other hand, precisely because this is a period of transition in which the existing system is far from equilibrium, with wild and chaotic oscillations in all domains, the pressures to return to equilibrium are extremely weak. This means that, in effect, we are in the domain of “free will” and therefore our actions, individual and collective, have a direct and large impact on the historical choices with which the world is faced. In a sense, to translate this into our concerns, we may say that the objective of “development” which countries and scholars have been pursuing for some fifty years now are far more realizable in the next 25–50 years than they ever were up to now. But of course there is no guarantee, for the outcome is uncertain.

In the larger geopolitical arena, there are presently three principal cleavages. There is first the triadic struggle between the United States, western Europe, and Japan/East Asia to be the principal locus of capital accumulation in the capitalist world-economy. There is secondly the long-standing struggle between North and South for distribution of the world surplus. And there is the new struggle that revolves around the structural crisis of the capitalist world-economy and centers on which of the two possible forks the world will take in completing the transition to a new system.

The first two struggles are traditional within the framework of the modern world-system. The so-called triad are roughly equal contestants in the attempt to reorganize the world-system’s production and financial systems. As with all such triadic struggles, there is pressure to reduce the triad to a dyad, which may occur in the next decade or so. I have long argued that the most likely pair is the United States and Japan/East Asia against western Europe/Russia (e.g., see Wallerstein). But I shall not repeat this argument here, since I consider this struggle secondary to the issue of overcoming the polarization of the existing system, that is, permitting what we have called “development” throughout the

world-system.

The second struggle, that between North and South, has of course been a central focus of development issues for the last fifty years. Indeed, the great difference between the era of developmentalism and the era of globalization has been the relative strength of the two sides. While in the first era, the South seemed to be improving its position, if only slightly, the second period has been one of a triumphant pushback by the North. But this pushback has now come to a close, with the deadlock in the World Trade Organization and the split among the spokesmen of the North about the wisdom of the Washington consensus. I think here of the increasingly open dissent of such figures as Joseph Stiglitz, Jeffrey Sachs, and George Soros, among many others, and the remarkable softening of the rigidities of the International Monetary Fund in the post-2000 period. I do not expect that in the coming decades there will be much push off-center in this contest.

It is the third cleavage which reflects the new situation, that of the structural crisis with its consequent chaos in the world-system and the bifurcation that is occurring. This is the split between the spirit of Davos and the spirit of Porto Alegre, which I mentioned previously. I should explain what I think are the central issues here. The struggle is not about whether or not we are in favor of capitalism as a world-system. The struggle is about what should replace it, given the implosion of the present world-system. The two replacement possibilities have no real names and have no detailed outlines. What is in question is essentially whether the replacement system will be hierarchical and polarizing (that is, like the present system, or worse) or will be instead relatively democratic and egalitarian. These are basic moral choices, and being on one side of the other dictates our politics.

The contours of the actual political players are still uncertain. The side of the spirit of Davos is split between those whose vision of the future involves an unremitting harshness of strategy and institution-building and those who insist that such a vision would create an untenable system, which could not last. At the moment, it is a very divided camp. The side of the spirit of Porto Alegre has other problems. They constitute politically merely a loose alliance of variegated movements all over the world which, today at least, meet together within the framework of the World Social Forum (WSF). Collectively, they have no clear strategy as yet. But they do have a good deal of grassroots support, and they are clear about what they oppose.

The question is what those who would uphold the spirit of Porto Alegre should really do to advance this "other world" they assert is possible. And this is a double question. What is it that those few governments who share their vision, at least up to a point, should do, and what the multiple movements should do. Governments deal with the short-run issues. Movements can deal with both short-run and middle-run issues. Both kinds of issues affect the longer-run transition process. And short-run issues affect our daily lives immediately. An intelligent

political strategy must move on all fronts at once.

The biggest short-run issue is the continuing drive of the neoliberal globalizers to achieve a one-sided expansion of open borders—open in the South, but not really open in the North. This is the heart of the persistent discussion within the framework of the World Trade Organization, and of all the bilateral discussions being conducted most notably by the United States but also secondarily by the European Union and its members—the creation of multiple “free trade agreements” like NAFTA, CAFTA, etc. Basically what the United States pushes for is guarantees for its monopolies (so-called intellectual property) and access for its financial institutions in return for limited tariff concessions on agricultural and low-value industrial goods produced in countries of the South.

The offensive within the WTO was stalled at Cancún by a coalition of medium powers of the South—Brazil, India, South Africa, etc.—who put forward a simple demand: free trade that works both ways. If the North wants us to open our borders to them, they said in effect, it must open its borders to us. But the North is basically unable to accept this kind of deal for two reasons. It would result in considerably increased unemployment and downsized income in countries of the North, which is politically impossible for governments subject to electoral contests to accept. And it is not clear to the triad which of them would profit most, or lose least, from such arrangements, and therefore they hesitate. After all, the triad is engaged with tariff/subsidy controversies with each other, and arrangements with the South would weaken their political positions in this economically even more important conflict from the point of view of the countries of the North.

One can draw two conclusions from this. This is a political quarrel doomed to a standstill. And it is politically very important for the countries of the South to maintain this stance, from their own point of view. This is the single most important action these governments can take to further the possibility of maintaining or raising the standard of living in their countries. To the sirens of the neoliberal dogmas, these countries are now responding skeptically, “show me,” and this skepticism is justified.

Of course, these governments have to remain in power. And the biggest threat to that is external interference in their politics. What the larger countries of the South are now doing, and will speed up doing in the next decade, is seeking to enter the nuclear club. What this will accomplish is to largely neutralize external military threat and thereby minimize external political threat. And the third thing one can demand of these governments is social welfare distribution within their countries, which of course could include low-level development projects (such as digging wells, etc.) What one cannot expect of these countries is that some policy on their part is going to turn them into a Denmark in the next 10–20–30 years. It’s not going to happen and is basically a diversion from an intelligent policy. The role of progressive governments is primarily to make sure that conditions in their countries and the world do not get still worse in the decades to come.

It is the movements that can do more than the governments, although the

movements need to keep minimally progressive governments in power, and not engage in leftist infantalist critiques about the lack of achievements that are in fact impossible to expect. And here we must point out an important element that is often lost from observation. The first two geopolitical cleavages are geographic: conflicts among the Triad and North-South conflicts. But the conflict between the spirit of Davos and the spirit of Porto Alegre has no geography. It cuts across the entire world, as do the movements. It is a class struggle, a moral struggle, not a geographic struggle.

In the medium run, what the movements can best do is to push decommodification wherever they can, and to the extent that they can. No one can be quite sure how this would work. It will take a lot of experimentation to find viable formulas. And such experimentation is going on. It is going on, we must remember, within a basically hostile environment, in which there are systemic pressures to undermine any such attempts, and which can corrupt the participants with not too much difficulty. But decommodification not only stems the drive for neoliberal extensions but builds the basis for an alternate political culture.

Of course, the theorists of capitalism have long derided decommodification, arguing that it is illusory, that it goes against some presumed innate social psychology of humankind, that it is inefficient, and that it guarantees lack of economic growth and therefore of poverty. All of this is false. We have only to look at two major institutions of the modern world—universities and hospitals—to realize that, at least up to twenty years ago, no one questioned that they should be run as nonprofit institutions, without shareholders or profit-takers. And it would be hard to argue seriously that, for that reason, they have been inefficient, unreceptive to technological advances, incapable of attracting competent personnel to run them, or unable to perform the basic services for which they were created.

We don't know how these principles would work, if applied to large-scale production like steel production or small-scale, more artisanal production. But to dismiss this out of hand is simply blind and in an era when productive enterprises are becoming far less profitable than previously, precisely because of the economic growth which the capitalist world-economy has bred, is foolish. Pushing alternate forms of development along these lines has a potential for answering problems not only of the South but of the declining industrial regions of the North.

In any case, as I have insisted, the issue is not what will magically solve the immediate dilemmas of our world-system but the basis on which we shall create the successor world-system. And to address that seriously, we must first of all comprehend with some clarity the historical development of our present system, appreciate its structural dilemmas today and open our mind to radical alternatives for the future. And we must do all this, not merely academically but practically, that is, living in the present, and concerned with the immediate needs of people as well as longer-run transformations. We must therefore fight both defensively

and offensively. And if we do it well, we may, but only may, come out ahead in the lifetimes of some of the younger members of this audience.

### Notes

1. The classic article is that by Giovanni Arrighi and Jessica Drangel (1986). Arrighi is currently updating this argument in a forthcoming article.
2. Although this is *prima facie* logical, it seldom enters into analyses of mainstream economists.

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