Eighth Edition

Social Stratification and Inequality

Class Conflict in Historical, Comparative, and Global Perspective

Harold R. Kerbo
California Polytechnic State University
San Luis Obispo

2012

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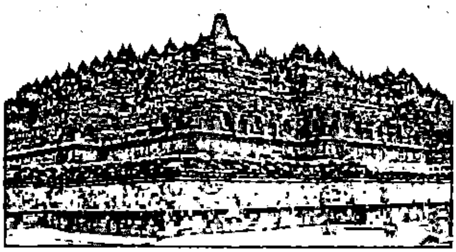
Social Stratification beyond the United States

C H A P T E R 14

The World Stratification System: Dominance and Competition among Core Nations




The huge temple of Borobudor (left) on the island of Java in Indonesia is from one of the oldest civilizations in Southeast Asia. People from this civilization were the most advanced seafaring people in the world 1,500 years ago. The ruins of an old fort (right) in the city of Malacca on the western coast of Malaysia was occupied 500 years ago. This area was first taken by Portuguese colonials, then about a century later by Dutch colonials, and finally by the British. Malaysia did not gain independence until the mid-20th century. Westerners have little realization that their world dominance has been quite recent and is likely to be relatively short-lived. The ups and downs of world regions over the centuries is one of the subjects of this chapter and the next two chapters as well.

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Chapter Outline

- Characteristics of the World Stratification System
- Development of the Modern World System
- A Brief History of Core Conflict and Hegemony
- American Inequality and the Future of Core Conflict
- Capitalist Models and Core Competition in the 21st Century
- Summary

As I wrote in the introduction to this chapter for the 4th edition, I can again write that in many ways the world is a different place than it was when I completed the previous edition. In the previous edition I was referring to the accumulative changes brought about by the fall of communism around the world. In some ways it is again a different world after the September 11, 2001, terrorist attacks on the United States. But these events in part can also be understood as flowing from changes taking place in the world system from the post–World War II era through the 1980s and 1990s.

As other capitalist industrial nations were in ashes after World War II, by default the United States was left as the only capitalist power that could defend capitalist interests against the emerging communist nations. Then, with the fall of communism beginning late in the 1980s, the United States was left as the world's only superpower. In the world stratification system, this means that it is up to the United States and American political and economic elites to maintain the world stratification system for the interests of themselves and their capitalist allies among the other rich nations. To understand this sufficiently we must recognize that much like the domestic class conflicts within nations we have focused on throughout previous chapters, there is international "class conflict." Within the international stratification system, there are "upper-class" nations trying to maintain their advantages while lower-class nations are often struggling to change the stratification system or their place within it. This situation, of course, gives the United States and American elites an advantage in the world's international class conflicts. The United States and its elites have extensive power to protect their interests and maintain their favored positions. There are, however, negatives, such as the human and financial costs of attempting to be the world's watchdog to protect oil supplies in the Middle East as well as being the target of attacks by groups angry about many conditions in the world today. An international opinion poll some 3 months after the September 11 attacks on the United States, for example, found that a majority of people in less-developed countries blame the United States for many of the world's ills. International opinion polls between 2001 and 2005 showed a growing fear of the United States as one of the biggest threats to world peace (see, for example, various BBC polls [http://www.bbc.co.uk], and The Pew Research Center [pewresearch.org]). An international poll by the Pew Research Center in 2009 and another by Gallup in 2010 found more favorable views of the United States around the world, but also that the United States was not seen as the world leader that it used to be (www. gallup. com).

In this chapter we begin an examination of the world stratification system, or modern world system. This chapter first considers the nature and history of this world stratification system, then competition among the richer nations in the world during the last 500 years, but with a focus on the present. As mentioned in earlier chapters, we will see in more detail why much of the inequality and life chances for differing classes in the United States are affected by this system of global stratification.

Chapter 15 examines the stratification systems of the second and third largest economies in the world today. In important ways, Japan and Germany differ significantly from the world's capitalist leader, the United States. We will see that their political, economic, and stratification systems lead to advantages and disadvantages in global competition for the 21st century. And we will see that their differences have profound consequences for the well-being of people in Japan and Germany when compared to the United States.

Finally, in Chapter 16 we consider the world's poor and the impact of the world stratification system on their prospects of moving out of desperate poverty. Theory and research on the modern world system, along with antiglobalization protesters, suggest that much of the world's poverty is caused by the actions of rich nations and their multinational corporations in search of profits. As we will see, there is much evidence supporting these views, but as always the world is rather more complex. With comparisons of less-developed countries in Latin America, Africa, and Asia, we find that people in these world regions are affected differently by the modern world system, with some key characteristics of many less-developed nations in Asia allowing them to slowly overcome their situations of poverty.

Before we take up these subjects, though, a review of recent world history is useful. We need to put these events into perspective and consider how they are driven by characteristics of the world stratification system before we can examine the modern world system in more detail.

The Fall of Communism

In the last 50 years no other event has changed the world more profoundly than the fall of communism around the world. It happened so rapidly and unexpectedly that few people at the time understood why it happened, or the full consequences of the transformation.

On August 19, 1989, one of Poland's Solidarity leaders (Tadeusz Mazowiecki) became the first noncommunist prime minister of an eastern European country since World War II. This occurred soon after the communist government of Poland allowed the labor union, Solidarity, to legally exist for the first time, and then called for national elections. Solidarity candidates took a majority of seats in Poland's parliament in this national election during June 1989. Many of the Solidarity candidates who won office had recently been in jail.

Then, in November and December 1989, more such events occurred with a rapidity that caused the world to look on in amazement. On November 10 the Berlin Wall fell and the East German communist government resigned; on November 28 the communist government in Czechoslovakia resigned and gave power to opposition leader Vaclav Havel; on December 23 a popular revolution led to the fall of the communist government in Romania; and other communist governments in eastern Europe were promising reforms and scheduling multiparty elections. Then, on October 3, 1990, Germany was reunified and East Germany ceased to exist, potentially producing an even more dominant German economy for some Europeans to worry about.

The biggest in this chain of events, however, came in 1991: The Soviet Union suddenly ceased to exist. The collapse left the central country of Russia with a noncommunist government and many independent states that had broken off from the old Soviet Union. The world was left with China as the last major "communist" country, but a country recording the most rapid economic growth of the last 20 years, and doing so in a most uncommunist fashion.

The Reemergence of Asia

Even before all of this, of course, there was the new economic threat for Western powers from Japan. Japan was the first, and as yet only, advanced industrial nation in the world from Asian traditions and culture. Until quite recently the world economy had been European-centered. Yes, the 20th century had been dominated by the United States, but this North American economic power was only an extension of the European-centered core that started in the 1500s. Few people realize, though, that Asia accounted for more of the world's economy until as recently as 1820 (Kristof and WuDunn 2000:30).

About 1,000 years ago China and India dominated the economic world (Frank 1998). While Japan has remained in economic stagnation for the past 15 years, according to World Bank estimates the world's third (and soon to be second) largest economy is now China. India is also moving up and is ahead of other European nations in overall size of GDP. Neither China nor India will have an average standard of living for its people comparable to European Union countries or the United States any time soon (Meredith 2007; Luce 2007). But the overall size of their economies, and especially China being the largest exporter of goods in the world, have again made Asian economies (along with Japan, South Korea, and Taiwan) dominate in the world economy. Just 50 years ago China had been mired in civil war, revolution, and Japanese invasion for decades. Many millions of Chinese died in these wars, and millions more starved. Mothers in the United States were telling their children "finish the food on your plate, think of all the starving children in China." We saw in the beginning of Chapter 3 that China closed its borders and dismantled those "treasure ships" that were sailing through much of the world, making Chinese merchants rich. The upper classes in China were afraid the newly wealthy merchant class would come to dominate them (Menzies 2002; Levathes 1994). After 300 to 400 years, European nations surpassed China in trade, science, and technology, leading to China's rapid decline and European colonization of Asia by the 1800s. But as we will see in the final chapter of this book, several countries in today's modern world system, primarily in Asia, have discovered how to reestablish their older civilizations and state authority, developing an Asian form of capitalism poised to overtake many Western economies.

Capitalist Competition

Now that communist economies are gone, however, we have discovered capitalisms. While we used to be told it was "them" (them being the Soviet Union and their allies), and "us" (us being all of the other industrial nations), we find it is no longer so clear. As we saw in Chapter 7 (Table 7-5), the three largest industrial nations at the end of the 20th century—the United States, Japan, and Germany—had very different forms of what we used to think of as democratic capitalism. Japan, among other things, has elites who are more unified and influential than anywhere else, and in many ways has much less democracy than Western industrial nations. Theirs is a planned economy organized by government bureaucrats still dominating a corporate class united in powerful monopolistic groups without significant private family ownership of the means of production that is supposed to exist with capitalism.

China continues to have an undemocratic communist political system, but with a more free market economy that is rapidly moving up in the world. State ownership of the economy is now less than 50 percent and is being steadily reduced. China is the largest exporter of goods in the world and has loaned the United States trillions of dollars to bail out our government's debt. Vietnam is in many ways a smaller copy of China today, continuing with its communist political system, but moving rapidly to a more free market economic system. Slowly recovering from its wars with the French colonials and then the United States, Vietnam also realized by the late 1980s that a communist economy would not work. As we will see in the last chapter of this book, Vietnam opened its economy to private ownership and to corporations of the world with economic reforms called *Doi Moi*. Vietnam quickly moved away from mass hunger to become one of the world's fastest growing economies by the 1990s and 2000s, and just as quickly the world's second largest exporter of rice and coffee (Kerbo 2006: Chapter 9).

The other major economic power, Germany, is also different when compared with the United States. Since World War II, Germany has had extensive labor laws—such as the Works Constitution Act, co-determination laws, and strong works councils in every company—along with powerful labor unions. All of these things give German workers much influence in how each company is managed and operated, as well as much influence in how the overall economy is run. This situation, most capitalists in America would tell us, cannot create a strong competitive economy. But it is with these labor laws and powerful unions that Germany rebuilt after World War II to become the third largest economic power after Japan and the United States, and the world's biggest exporter of goods and services until China overtook them in 2010.

In many ways, in fact, contrary to what most Americans would think, it is the United States that is the odd capitalist country. Some of this oddity is related to the characteristics needed for economic dominance at the beginning of the 20th century—abundant land, cheap resources, a motivated but not so educated workforce, and a minimum of government involvement in the economy (Thurow 1991). To this day the United States has much less government involvement in the economy than Japan and most of Europe. But the United States is also different in that there is still more private ownership of corporate stock in the United States than in Japan and especially Europe, where large percentages of corporations have much government ownership. There are only limited labor laws in the United States compared with Europe and Japan, and, as we have seen, labor unions are extremely weak in the United States compared with other industrial nations. Not least in importance, the United States has much more income inequality, in fact the highest among industrial nations, while Germany has one of the lowest rates of inequality in the world. The key differences between the different types of capitalism today and implications for competition among rich nations in the 21st century will be considered in more detail after we examine the main characteristics of the modern world system.

World Poverty

While rich countries were competing with each other the last 200 years, the gap between the rich and poor of this world became immense. A World Bank estimate noted that "As late as 1820, per capita incomes were quite similar around the world—and very low, ranging from around $500 in China and South Asia to $1,000–1,500 in the richest countries of Europe" (World Bank 2000:45). As the 21st century began, the annual per capita income of people in rich countries like the United States was $30,600 compared to $500 in many poor countries such as Sierra Leone, Tanzania, and Ethiopia.* Close to 20 percent of the world's population (over 1 billion people) lived on less than $1 a day at century's end. Almost half of the world's population (2.8 billion people) lived on less than $2 per day. In another report, the United Nations figures that the number of people existing on less than $1 a day has increased directly with globalization during the 1990s (United Nations, *A Better World for All,* 2000); United Nations Development Program, *Overcoming Human Poverty,* 2000). As we have seen, the first ever estimate of global wealth inequality indicates that the top 2 percent of people in the world own over half of all the world's wealth, while the bottom 50 percent of people own less than 1 percent (Davis et al. 2006). As for income, the top 20 percent of people receive 150 times the income of the bottom 20 percent of people. Just 30 years ago this gap was 60 to 1 instead of 150 to 1. The United Nations' Food and Agriculture Organization estimates that there are 800 million chronically undernourished people in the world, with another 2 billion people experiencing crucial deficiencies in nutrients. UNICEF reports that malnutrition is a factor in about 55 percent of the 12 million preventable deaths among children younger than five every year. The rich are getting richer while many of the poor are getting poorer, not just in the United States but even more so worldwide (Korzeniewicz and Moran 1997; Kerbo 2006).

The causes of World Wars I and II, the fall of communism, competition among the world's economic powers, the steady rise of inequality within the United States, increasing world poverty and inequality, and even terrorist attacks against the rich countries—none of these events of recent years can be fully understood without reference to the system of global stratification often referred to as the **modern world system.** It is now time to consider modern world system theory and research in more detail before we return to these subjects.

Characteristics of the World Stratification System

Soon after the first industrial societies took root in the declining bed of Western feudalism, there was no doubt an increasing awareness that separate nations were more and more tied through economic exchange. But the extent of these economic

*World Bank, *World Development Report, 2000 2001* (2000:274–275). Note that these figures are calculated in the new Purchasing Power Parity Index, which more accurately takes into account lower prices for basic necessities in poor countries compared to rich countries in North America, Europe, and Japan. Using the standard measures of per capita income there are dozens of countries listed as having annual per capita incomes of $200 and $300.

ties grew more rapidly than the full awareness of their importance. In the early works of economists such as Adam Smith, for example, such awareness was not yet sufficient. In the mid-1800s Karl Marx did have something to say about the worldwide growth of capitalism (see Chase-Dunn 1975:721–722; 1989), but he left the task of specifying how advanced capitalist nations would dominate others to Lenin (1965) some 50 years later. Still, Lenin's work on imperialism remained incomplete in many details. It was not until after the middle of the 20th century that an abundance of literature on what we know as the world stratification system emerged. Indeed, it has been only in the last couple of decades that the full extent of what is often commonly called "globalization" has been widely recognized. While the extent and speed of globalization is often exaggerated, there is abundant data showing the spread of economic as well as cultural globalization, a process bringing even the previously most remote people into the world stratification system (Chase-Dunn, Kawano, and Brewer 2000; Held et al. 1999).

To understand the basic nature of the world stratification system, we must begin by recognizing the worldwide division of labor. As differentiated from the traditional view of economic systems corresponding with political or national boundaries, an economic division of labor cuts across these boundaries, bringing national territories within a worldwide economic system (see Wallerstein 1974:348–349).

Snyder and Kick (1979:1099–1100) summarize three main points in the world-system perspective:

> First, the world system is the appropriate point of conceptual orientation. The behavior and experiences of its constituent geopolitical units depend fundamentally on features of the system as a whole (e.g., a capitalist world economy) which reflect transnational linkages. Second, the modern world system is composed of three structural positions: core, semiperiphery, and periphery. Third, these labels are not merely descriptive. They indicate an international division of labor in which the core is linked to the periphery (and semiperiphery) in dynamic and exploitative ways.

We will have much more to say about the structural positions in this modern world system (that is, core, semiperiphery, and periphery). But for now we must stress the important implications of this world system for understanding world stratification. In earlier chapters we showed how a capitalist property structure and occupational division of labor (along with a bureaucratic power structure) can be located behind the system of social stratification in the United States. Among the results of interaction between property and occupational relations are the following:

1. Rather distinct classes are found in relation to the objective divisions created by ownership of the means of production and position in the occupational structure.

2. There is an upper class that owns and/or controls the means of production, with a working class having no ownership and performing occupational tasks for owners. In between these two classes we find a middle class with little or no ownership of the means of production, but with a higher occupational position.

3. The distribution of valued resources is in large measure based on these class positions.

4. There are dynamics of class conflict and change based on the differing distribution of rewards in the class system.

5. Finally, there are various mechanisms to maintain the favored position of those on top of the stratification system.

The key point is that once we recognize that capitalist property relations and an occupational division of labor *exist beyond national boundaries,* we must also recognize that there is a *world stratification system* with characteristics similar to the five listed here. The primary unit of analysis, however, has shifted from classes within nations to nations that are in many respects like classes (see Wallerstein 1974:351; Rubinson 1976; Chirot 1977:8). We must caution, however, there remain class divisions within each nation with differing interests with respect to these international ties. Let us proceed by examining the three primary class positions in the world stratification system.

What can be considered as similar to the upper class are the **core nations** (for the characteristics of all three, see Wallerstein 1974:349–351; Chirot 1986; Chase-Dunn 1989; Bornschier and Chase-Dunn 1985; Bornschier 1995). Among the core nations we find those that are most economically diversified, wealthy, and powerful (economically and militarily). These core nations are highly industrialized; they specialize in information, finance, and service industries, and they produce manufactured goods rather than raw materials for export. They also have a more complex occupational structure with generally less income inequality compared with the other nations, with the exception of the United States. In addition, these core nations have relatively more complex and stronger state institutions that help manage economic affairs internally and externally. Finally, these core nations have many means of influence over noncore nations but are themselves relatively independent of outside control (see Table 14-1 for examples of these nations).

TABLE 14-1

Examples of Core, Semiperiphery, and Periphery Nations in the World System, 2010*

Core	Semiperiphery	Periphery
United States	Mexico	Chad
Japan	Argentina	Uganda
Germany	South Korea	Burma
The Netherlands	Ireland	Laos
England	Chile	Bolivia
France	Thailand	Philippines
Italy	Taiwan	El Salvador
Canada	India	Haiti
Austria	Pakistan	Dominican Republic

*This table is a representative listing for nations in the structural positions in the world system from older data presented in research by Snyder and Kick (1979) for a more complete list of 118 nations. The partial list of nations in this table is from Snyder and Kick's study using trade relations, military interventions, and diplomatic and treaty ties as indicators of world system positions.

Similar to the lower or working class are the **periphery nations.** Among the periphery nations we find those that are the least economically diversified. They tend to depend on one type of economic activity, such as extracting and exporting raw materials to the core nations. These nations are relatively poor economically, with less division of labor and a high level of income inequality. There is commonly a wide division between wealthy elites and a poor common mass of people in the country. These nations have relatively weak state institutions, and are strongly influenced by outside nations (both economically and militarily).

Semiperiphery nations represent those midway between the core and periphery, similar to a middle class. These are primarily nations moving toward industrialization and a diversified economy. They also can be considered as midway between core and periphery nations with respect to state strength, a complex occupational structure, national wealth, and income inequality. In short, "While they are weaker than core societies, they are trying to overcome this weakness and are not as subject to outside manipulation as peripheral societies" (Chirot 1977:13).

It is worth emphasizing that the world stratification system is a type of class system based on the relationship of a nation to world production forces. Class position in the world system is defined with respect to (1) Marx's perspective of class (ownership versus nonownership of the means of production) and (2) Weber's perspective of class, which, in addition to ownership, stressed economic exchange relations and occupational skill level in the production process.

The core nations (through their major corporations) primarily own and control the major means of production in the world and perform the higher-level production tasks (for example, the more complex industrial production of cars, computers, aircraft, and electronic equipment). The periphery nations own very little of the world's means of production (even when these are located in periphery nations) and provide the less-skilled labor of, for example, extracting raw materials (which are usually exported to core nations for processing into a finished product). The semiperiphery nations are in a mixed or middle position in the world's production system.

Like a class system within a nation, class positions in relation to the world economic system result in an unequal distribution of rewards or resources. The upper-class or core nations receive the greatest share of surplus production, while periphery nations receive the least. Furthermore, because of the economic power of core nations, they are usually able to purchase raw materials and other goods from the noncore nations at low prices, while demanding higher prices for their exports to noncore nations. Chirot (1986) lists the five most important benefits coming to core societies from their domination of the periphery: (1) access to a large quantity of raw material, (2) cheap labor, (3) enormous profits from direct capital investments, (4) a market for exports, and (5) skilled professional labor through migration of these people from the noncore to the core.

For noncore nations, and especially the periphery, there is an unequal exchange or exploitative relationship with core domination. It might appear (and the ideology pushed by core nations maintains) that periphery nations benefit from their relation with core nations. For example, the periphery nations get a market for their raw materials, military aid, factories built (and owned) by core multinational corporations providing jobs for their people, and technical equipment and expertise—all of which could help further economic development in the poor nations.

However, although some benefits for periphery nations may be realized, the total impact of core domination often harms the economic and political well-being of people in periphery nations, especially in the long run. There are certainly differences among the noncore nations, especially in the noncore Asian nations compared with those in South America and Africa, as we will see in Chapter 16.

We should conclude this section on basic characteristics of the modern world system by again stressing the importance of economic factors behind the conflicts and changes in this world system. In his influential book, *The Clash of Civilizations and the Remaking of World Order,* Samuel Huntington (1996) has argued that civilizational divisions are again becoming more important after the fall of the old Soviet Union and at the end of the cold war. No doubt these civilization ties are important in shaping national alliances. Most major nations have old cultural ties with either the Western/Christian, Islamic, Orthodox Christian, Asian/Buddhist, or Hindu civilization, to name some of the most important. Russia's continuing support in the late 1990s of Serbs in the old Yugoslavia despite all their atrocities against Muslims, Croatians, Albanians, and others can best be understood because of the old Orthodox Christian civilizational ties between Russia and Serbs. However, while such civilizational ties are important, a major point of the modern world system is that economic forces are still most important and are becoming more important to what happens to nations and people in the world today.

Development of the Modern World System

It should be noted in beginning this section that Wallerstein (1974, 1980, 1989) argues that there have been only two types of world systems in existence. The first type has existed in several periods of world history, as what he calls a *world empire.* Although never covering such a large area of the world as today's *world economic system* (using Wallerstein's term), these world empires did include major parts of the world—for example, the Roman Empire, the Near Eastern empire of Alexander the Great, and the Egyptian and Babylonian empires much earlier.

The major distinction between a world empire and a world economy is that in the former a main goal is political as well as economic domination (see Wallerstein 1974:60). As Chirot (1977:20) puts it, "In classical empires, a political elite, as opposed to a business elite, dominated policy. This elite was composed of soldiers, glory-seeking emperors, and learned but antibusiness religious officials." Core elites in the modern world system, by contrast, are economic elites concerned with economic *profit.* A subjected country in the modern world system is not usually controlled in every detail by core elites, occupied by a foreign army, or forced to pay taxes to the dominant country. All of this is rather inefficient in terms of the main goal, which is to extract profits for dominant core elites.

The distinction between world empires and the modern world system is also important in understanding the *development* of the world economic system. When conditions became ripe for a world economic system in about 1450, Spain and Portugal took the lead. They were the first to establish extensive overseas colonies and explore the world for new territories. But Spain and Portugal soon lost their early lead, with England, The Netherlands, and France becoming dominant. Primarily this occurred because the latter nations learned a lesson that Spain and Portugal did not: It becomes too expensive to dominate many countries politically and militarily around the world (Wallerstein 1974:157–179; Chirot 1977:18–20). In short, Spain and Portugal became overextended with empire building and lost their earlier positions of power in the modern world system.

This is not to say that some core countries within the modern world system today never attempt to gain extensive control over periphery nations, and to control them as their colonies. It is a matter of degree when comparing the control a dominant country tried to achieve in a world empire (say, the Roman Empire) with the modern world system. Research by Boswell (1989) on historical trends in the world system since the 1600s has shown that there is variance in the amount of control over periphery nations and colonization. Boswell (1989) found that when the world economy is expanding and core nations are experiencing good economic times, there is less colonization, meaning core nations are not trying to achieve as much control over "their periphery nations." But during poor economic times these core nations tend to attempt more extensive colonial control to keep other core nations from having economic relations with their periphery nations.

A Brief History of Core Conflict and Hegemony

As described earlier, the modern world system is in many ways similar to an international stratification system, with conflict over competing interests, much like class conflict. This conflict is centered especially around the differing interests of rich and poorer nations, but it is also clearly evident among the core nations themselves. It must be stressed that not all core nations are equal in wealth and power, and the processes of change in this modern world system lead to continual alterations in the fortunes of the core nations. This places these core nations in conflict with each other, especially over their competing claims of hegemony in periphery areas of the world.

We will consider briefly this history of core conflict, some results of this conflict for the rise and fall of core nations, and some of the political and economic principles that Wallerstein and others believe are behind the changes in the modern world system. As a related issue, we will consider the current position of the United States in the modern world system, along with this country's relative economic decline and growing inequality.

Since the beginning of this modern world system, there has always been a collection of core nations in competition with each other for economic dominance, hegemony over periphery nations, and access to the world's resources. At times the conflict is more overt and deadly, with shifting core alliances as nations try to gain better positions in the process of core conflict. At other times, however brief, there has been one core nation with clear economic dominance over other core nations in the world system.

Wallerstein (1980) considers a core nation as dominant over all others when it has a simultaneous lead in three economic rankings over an extended period. First, *productivity dominance* is important. The nation with productivity dominance can produce products of higher quality and at a lower price compared with other nations. Second, productivity dominance can lead to *trade dominance*. In this situation the balance of trade favors the dominant nation because more nations are buying the products of the dominant nation than it is buying from them. Third, trade dominance can lead to *financial dominance*. With a favorable balance of trade, more money is coming into the nation than is going out. The bankers of the dominant nation tend to become the bankers of the world, with greater control of the world's financial resources.

When a nation achieves these three forms of economic dominance, military dominance is also likely. With a stronger economic base, and with interests tied to a world status quo worth protecting, the dominant core nation tends to build a strong military. However, it must be stressed that during this modern world system no country has been able to use military strength as a *means to gain* economic dominance. In fact, each of the previously dominant core nations has achieved economic dominance with relatively small levels of military spending as each rose to the top, and each began to lose economic dominance with later military expansion (Kennedy 1987).

From the time that this modern world system began in the 1400s to 1500s, Wallerstein (1980) argues, there have been only three brief periods in which one core nation has come to dominate, with each period lasting less than 100 years. The first country to have this clear dominance was The Netherlands during the 1600s. As noted earlier, Spain and Portugal tried to achieve this dominant position but failed when they became overextended, with too many military commitments and colonial territories to protect around the world (Kennedy 1987:47–48). By the 1600s, however, the Dutch achieved this dominance after their political revolution led to a modernized state supporting capitalists, a new financial system some historians call "revolutionary" (Kennedy 1987:76), and the development of new technologies, especially with respect to efficient shipbuilding (Chirot 1986:36). The Dutch shipbuilding industry also helped foster an economic lead through more exports to other nations, and the Dutch fleet provided an advantage in the race for colonies (Wallerstein 1974; Kennedy 1987:67–86).

By becoming the dominant core nation, however, The Netherlands set in motion a process that eventually led to its relative economic decline. First, other nations were able to copy the innovative production and banking methods created by the Dutch. With even newer production methods that were developed since the rise of the Dutch, and knowledge of what originally worked and did not work for the Dutch, other industrializing nations began to challenge Dutch economic dominance, particularly England and France. The productivity edge held by the Netherlands also declined with the rise in its standard of living, a result of its dominant core status. This relatively high standard of living pushed up production costs, making Dutch products somewhat less competitive (Wallerstein 1980:268–269). With loss of productivity dominance, the Dutch trade dominance was soon lost, and with trade dominance gone, financial dominance was eroded.

Although The Netherlands continued to hold financial power, its bankers, seeking profitable investments, went outside the country to a greater degree than in the past. With the development of other industrial nations, Dutch bankers saw more profit potential in these other nations, and the flow of investment capital moved, especially to England (Kennedy 1987:81). This outflow of investment capital further harmed the Dutch economic position even though it helped the profits of Dutch bankers.

With the Dutch in relative decline by the end of the 1600s, conflict among the core nations increased. There had always been wars among core nations, but now (1) the power of the Dutch to enforce world order was reduced, and (2) other nations were fighting for advantage to take the lead once held by the Dutch. The two main nations in this conflict at the time of Dutch decline were England and France. The Dutch had often fought the British, but by the early 1700s they were allies. It was Dutch financial investment that helped the English advance in productivity and trade, and it was Dutch military support that helped the English defeat the French.

It should also be noted, however, that it was an outdated political structure and a rigid stratification system still dominated by the old agrarian aristocracy that hurt the French. The Dutch had what has been called the first "bourgeois revolution" in the 1560s, which gave them more independence from the Hapsburgs in Spain, resulting in a new political system that favored the new capitalist class (Wallerstein 1974:181). In England the capitalist class had achieved dominance over the old landed aristocracy by the 1700s, though this had happened more slowly, over an extended period compared with the Netherlands. But in France, the bourgeois revolution of 1789 came too late for French dominance in the new era of the modern world and capitalist competition (Skocpol 1979). Before 1789 the French government was still dominated by the old landed aristocracy, which resisted economic policies and financial reform that could have made its economy more competitive with England.

With British dominance there was again relative stability in the world system during the 1800s. It was especially a time of British expansion all over the world, with many colonies in Asia, Africa, and the New World. But following the earlier pattern of the Dutch, the British also slid into a relative economic decline. The overextended colonial system placed a strain on the British military, the cost of which also contributed to British economic decline. Thus, like the Dutch, the British held clear dominance in the world system for a relatively short time—from about 1815 to the 1870s (Kennedy 1987:226).

As in the 1700s, there was again extensive core conflict after the English lost their clear dominance. This time Britain and France were allies, with Germany, and later Japan and Italy, providing the new threat to their hegemony in the world. Germany, and then Japan and Italy, were late developers among the industrial nations. It was German and Italian unification in the late 1800s that helped the rise of these two nations, and the Meiji Restoration beginning in 1864 that brought industrialization to Japan (as we will see in the next chapter).

By 1900, however, there was a major difference in the modern world system compared with 100 or 200 years before. Most of the periphery areas of the world had already been claimed by one of the older core nations (Chirot 1986). In 1800 the old European core claimed 35 percent of the world's territory, whereas by 1914 this European core claimed an amazing 85 percent of the world's territory (Kennedy 1987:150). This meant that if a new core nation wanted periphery areas to exploit for economic resources as the French, Dutch, and British had done before, the areas would have to be taken from one of the core nations. This the Germans, and then the Italians and Japanese, began to do in the first half of the 20th century, setting the stage for World War I and World War II.

While the Germans, Italians, and Japanese were moving into core status in the world system in the late 1800s, of course, so was the United States. The defeat of the agrarian South in the American Civil War led to more power for northern industrial elites, who could pressure the government for policies favoring industrial expansion. British bankers at this time were also directing more of their financial investment toward the United States, as the British economy was in relative decline (as did the Dutch bankers when their relative decline was in process). And, like the Dutch and British at the time of their rise to core dominance, the United States had a very small military budget compared with those of all other industrial nations (Kennedy 1987:248).

It was the American entry into World Wars I and II that resulted in Allied victory over Germany, and then Italy and Japan. A key factor in the Allied victory during World War II was the early capture of the secret coding machine developed by the Germans, who also gave it to the Japanese. The result of this was that the U.S. and British forces had advance knowledge of most German and some Japanese military moves (with the major exception of the Battle of the Bulge in December of 1944; see Winterbotham 1974). But it was U.S. industrial capacity by the time of World War II that was most important in defeating the Germans, Italians, and Japanese. By 1943 the United States was producing military equipment at a breathtaking pace. For example, a new airplane was produced every 5 minutes and a new ship every day (Kennedy 1987:355).

The United States began taking the place of England as the new dominant core nation after World War I. But with Europe and Japan in ruins after World War II, the United States was able to dominate the world system more than any other nation in the history of this world system. For example, soon after World War II, the United States alone accounted for over half of all the industrial production in the world, supplied one-third of all the world's exports, and owned two-thirds of the world's supply of gold reserves (Kennedy 1987:358). Along with this economic dominance, the United States took over military dominance, becoming watchdog of the world in protecting periphery areas seen as important to U.S. economic elites and their capitalist allies around the world (Kolko 1988).

Postwar Competition: The Rise and Fall of the Soviet Union

The new situation known as the cold war was what the United States was primarily involved in as watchdog of the world for its capitalist allies. By agreement at the end of World War II, the American and British forces met in Berlin, cutting Germany in half, with the American, British, and French forces occupying western Europe while Soviet forces occupied eastern Europe. At the very end of World War II, the Soviet Union also moved quickly to take parts of northeastern Asia from the defeated Japanese. The Soviets, however, had in mind to create a new alliance against the capitalist bloc of the core after World War II. Core competition in the modern world system had entered a new stage.

While the Russian Revolution of 1917 is a fascinating subject worthy of considerable study, we must give it only brief attention at this point. It was the conscious intent of Lenin, Stalin, Trotsky, and other Bolsheviks to create a communist state without private ownership of the means of production. But history is not made with only the conscious intent of individual leaders. Before the revolution of 1917, Russia was a rather backward country struggling to modernize and industrialize. A push toward industrialization was begun by Alexander II in the 1860s, and although some gains were made, Russia remained behind most of Europe, with much of its industrial capacity foreign-owned (Crankshaw 1976:218; Salisbury 1977:115–119; Skocpol 1979; Kennedy 1987:233–234). It was a weak economic system in the face of foreign competition that, combined with World War I, led the czar's government to fall to angry masses in February 1917 (Skocpol 1979). Lenin and his party had no direct hand in this fall, but they were organized to pick up the pieces in their revolution of October 1917 (Payne 1964; Keep 1976; Solzhenitsyn 1976).

A communist state became possible in part because of the absence of a strong capitalist class (Moore 1966), and forced industrialization became necessary for the state's survival in the face of foreign and internal threats (Skocpol 1976, 1979:215). There has seldom been a revolution resulting in such a thorough break with the past (Skocpol 1979:206), but even in Russia the old traditions had a hand in shaping the future. These old traditions were an authoritarian state, a strong secret police, and forced labor camps (Crankshaw 1976:63–69). There is abundant evidence (see Fischer 1982) that Lenin, before his death soon after the revolution, attempted to stem the power of a centralized bureaucracy (and Stalin in particular). But, of course, he failed (Payne 1964; Ulam 1973:217; Howe 1978:86). One reason for differing outcomes of revolution can be found in historical forces rooted in the old regime (Skocpol 1976:284). These forces, along with military invasion from the West and civil war, resulted in a centralized, authoritarian bureaucracy that controlled the means of production. In our terms, the political authority structure and property structure were merged.

With Stalin's forced industrialization beginning in the late 1920s, the Soviet Union did achieve rapid industrialization to the point where it was second only to the United States in GNP in the early years of the cold war. By the 1990s, however, the Soviet Union had collapsed, in one of the most amazing events, to symbolically bring an end to this cold war just before the new century began. The timing of the collapse was predicted by no one. But with hindsight we can see that the fall of the Soviet Union was not such a strange new event in the modern world system.

Much like France in its wars and economic competition against Britain during the 1700s, the Soviet economy was weakened due to military competition with the United States. The Dutch, British, and Americans, you will remember, all had comparatively small military budgets when they were rising to core dominance: Military power came later. The Soviets, on the other hand, tried to achieve dominance in the modern world system through military might, without first achieving the economic base to do so.

The "house of cards" that once was the Soviet bloc in eastern Europe fell as well. From the study of social movements, revolutions, and political violence, we know that these events do not occur only because people have become angry and fail to continue accepting exploitation. Resource mobilization theory (McCarthy and Zald 1977; Kerbo 1982) tells us, for example, that rebellions and revolutions usually become massive events and are successful due to changes in the balance of power between rebels and political authorities.

During 1953, 1956, and 1968 there were major rebellions in East Germany, Poland, Hungary, and finally Czechoslovakia. During these rebellions against communism and Soviet dominance, the Soviet tanks came in to crush the protest. In 1981, in the face of rebellion and the growing strength of the Solidarity movement in Poland, the Polish army itself stopped the movement and put leaders such as Lech Walesa in jail so that Soviet tanks would not come in again. But much had changed in the Soviet Union before the next round of east European rebellion occurred. By the late 1980s, the Solidarity movement was rising again. As east Europeans waited in fear, and the whole world watched in amazement, the Soviet tanks did not come in. Rather, Mikhail Gorbachev, who had taken over rule of the Soviet Union in 1985, began taking tanks out of Hungary in 1989. Before the end of the decade, the Berlin Wall had fallen, and so had communist governments all over eastern Europe. As in previous centuries of the modern world system, international competition among the core had led to the downfall of a major power.

The other side in the cold war did not come out of it economically stronger, in contrast to the period right after World War II, even though the United States was the only military superpower after the fall of the Soviet Union. The American economy was badly damaged by years of focus on military spending, research and development for military production rather than consumer production, and a foreign policy oriented toward military competition rather than economic interests around the world. In a popular saying of the time, "The cold war is over; Japan won." In many respects, however, we should mention other winners as well, such as Germany. But with the cold war over, as we will see, the U.S. economic dominance returned—at least for a while. Of course the end of the cold war did not end U.S. action as the watchdog of the world for capitalist industrial nations. Again and again, it was the United States that had to take the lead in protecting the capitalist nations' oil supplies in places like the Middle East, reestablishing stability in the former Yugoslavia, and now fighting terrorism directed against rich nations.

The Relative Decline, Then Reemergence of the United States

The 1970s came as a big shock to the United States. From the heights of world military and economic dominance during the 25 years immediately after World War II, the U.S. economy hit a period of relative decline, while the nation also lost its first war, in Vietnam. This is not the place to go into all the details of this relative economic decline during the 1970s and 1980s (for discussions of this economic decline, see Vogel 1979, 1985; Blumberg 1980; Bluestone and Harrison 1982; Etzioni 1984; Halberstam 1986; Dore 1987; Harrison and Bluestone 1988; Reich 1981; Thurow 1991; Dietrich 1991). We have already seen the relative economic declines of previous core leaders, which were never able to hold core dominance for as long as 100 years (and actually only between 50 and 75 years). This is what Bornschier (1988, 1995; Bornschier and Suter 1992) refers to as *common cycles* and *long waves of development*, followed by the relative economic decline of previously leading nations.

Table 14-2 indicates the relative decline of U.S. productivity by the end of the 1970s. Looking at the base year of 1967 for all these countries in Table 14-2, we can see

TABLE 14-2

Comparative Productivity Growth, 1970–1979 (Base Productivity in 1967 = 100)*

	1970	1975	1979
United States	104.5	118.2	129.2
Canada	114.7	133.3	156.3
France	121.2	150.7	189.9
West Germany	116.1	151.3	183.8
Japan	146.5	174.6	230.5
United Kingdom	108.8	124.2	133.0

*Note that the base year of productivity in 1967 is set at 100 for every nation. Then each following year's productivity is compared with this base year. Thus, for the United States the 104.5 productivity figure in 1970 showed a slight increase over the 100 level for the 1967 base year.

SOURCE: U.S. Bureau of the Census, *Statistical Abstracts of the United States, 1979* (1980: Table 1591, p. 913).

that U.S. productivity was growing, but not nearly at the rate of some of the other industrial nations in the world, especially Japan. U.S. corporate elites lost the competitive edge due to, among other things, a lack of real competition in a highly concentrated domestic economy, examined in Chapters 6 and 7; a lack of reinvestment as well as research and development; and high costs because of the highest standard of living in the world.

After this relative decline in U.S. productivity became evident in the 1970s, the U.S. trade deficit grew to huge proportions in the 1980s. The U.S. trade imbalance was negative every year in the 1980s, and was well over $100 billion in the red for most years of the decade. During the first half of the 1990s there was only slight improvement in this trade imbalance. Added to this was the loss of U.S. financial dominance. At the beginning of the 1980s, the United States had the largest banks in the world, and more banks listed as among the 10 largest in the world than any other nation. By the end of the decade, however, the United States had only 1 bank among the world's top 10, while the top 8 banks in the world were all Japanese.

With the end of the cold war beginning in 1990, however, the U.S. economic decline was quickly reversed. Indeed, the United States began its longest economic boom in history, which did not slow until 2001. As can been seen in Table 14-3, the United States led the seven largest industrial economies with annual growth in the economy (GNP), percent increases in domestic investment rate increases per year, and annual productivity increases, while maintaining the lowest unemployment rate (with the exception of Japan, which keeps unemployment artificially low even in times of economic stagnation). The U.S. stock market increased its value more than 100 percent in just a few years of the 1990s (Mishel et al. 1999:268).

A primary question at this point is, *how did the United States create this turnaround in its economic competitiveness relative to other industrial nations?* It is time to again consider this question because it is directly related to the nature of social stratification in the United States.

TABLE 14-3

Core Nation Economic Indicators, 1990–2000

Nation	Annual GNP growth 1990–2000	% Growth domestic investment 1990–2000	Average productivity increases 1995–2000	Unemployment 1995–2000
United States	3.4%	7.0%	2.6%	4.5%
Japan	1.4	1.1	1.8	4.2
Germany	1.5	0.5	1.7	8.6
Great Britain	2.2	1.8	1.5	5.3
France	1.7	−1.6	1.4	11.1
Italy	1.2	−1.0	0.6	11.5
Canada	2.3	2.6	1.2	7.2

SOURCES: World Bank, *World Development Report, 2000* (2000); U.S. Bureau of the Census, Statistical Abstracts of the United States, 2001 (2002).

American Inequality and the Future of Core Conflict

Much of the increasing inequality over the past 30 years within the United States we have discussed throughout previous chapters was related to the relative economic decline of the United States in the 1970s and 1980s. Because many U.S. industries were no longer as competitive compared with some in other countries, millions of well-paying working-class jobs were lost (Harrison and Bluestone 1988; Reich 1991; Thurow 1991). But jobs were also lost due to automation and robots that American companies were introducing into the workplace in an attempt to reduce labor costs, thus increasing global competitiveness. Other American workers had to accept lower pay because of domestic competition among workers for a smaller number of jobs, but also because of competition from low-wage labor in periphery and semiperiphery nations as U.S. multinational corporations began moving to other countries.

By the 1990s, however, there was an important new element. The growing inequality in the United States was not a result of the relative U.S. economic decline but of the new national strategy by American business leaders and conservative politicians to "make America more competitive again." "Lean production," cutting wages, cutting benefits (such as health insurance), making jobs temporary, with longer working hours for less pay to those who had the jobs, became a reality during the 1990s (Mishel et al. 1999, 2001). We saw in Chapter 7 that as a result of the U.S. economic decline the corporate elite became more politically active during the late 1970s and early 1980s (Useem 1984). Corporate elite pressure for more and more support from the government (through lower taxes, fewer labor laws, less government support for unions, etc.) continued throughout the 1980s but became even more focused after 1994, when conservative

Republicans gained control of both the House and the Senate for the first time since the 1950s (Kalleberg 2009; Tope and Jacobs 2009).

Innovations in technology and improved production processes due to new high-tech manufacturing methods certainly helped the U.S. economic resurgence during the 1990s. But one of the most important elements in the U.S. economic resurgence and longest economic boom in American history was simply the ability of U.S. corporations to *get more work from American workers at less cost* compared to earlier periods and compared to other industrial nations. What is called the "total unit labor cost" (the cost of labor including wages, benefits, and taxes) dropped dramatically during the 1990s in the United States, falling below all the other seven largest capitalist countries except France by the end of the 1990s (Keizai Koho Center 2002:103). As we have already seen in previous chapters, by the end of the 1990s the average wages of American workers were substantially below the average of other industrial nations, benefits were lowest among major industrial nations, and the average work week and year for American workers finally became the longest of all industrial nations, and with the least vacation time, by the second half of the 1990s (Mishel et al. 2001:400–401). This trend of lower wages and benefits, with longer working hours, continued into the 21st century. What was new for the first years of the 21st century, though, was an accelerated loss of American jobs overseas. In contrast to European nations, it is much easier for American corporations to close operations in the United States and move these jobs to countries where wages are a fraction of U.S. wages. Unlike figures on unemployment rates, wages, and poverty levels, there is no U.S. government agency that keeps track of job losses overseas—what is called outsourcing. Several studies, however, now show that almost half a million American jobs were outsourced in 2004 alone (*International Herald Tribune,* November 18, 2004). In short, the conditions of work in America underwent a quiet revolution that allowed U.S. corporations to make and sell things around the world and at home for less than could be done in other major industrial nations.

Capitalist Models and Core Competition in the 21st Century

The Japanese, but particularly the Europeans, have certainly taken notice of signs the U.S. economy has become more competitive again in relation to their own, and of how American corporations have been doing it. Great Britain had been following the U.S. lead, with some economic improvement, since the first years of Reaganomics. By the end of the 1990s, Britain, like the United States, had the same trend of increasing income inequality, lower worker pay, and fewer benefits (Mishel et al. 1999, 2001). As indicated in Table 14-3 above, compared to the 1970s and 1980s when Britain was often seen as the economically sick relative of Europe, the 1990s brought better economic figures, though not for the British working class. For Europe in general, however, the focus on economic unification had been their major strategy to improve economic competitiveness (Bornschier 1994, 1995). The idea is that more economic cooperation among European Union nations will make their economies more efficient and competitive with other industrial nations. But with far greater welfare and unemployment benefits than the United States, more generous pay and benefits to workers, and much shorter working hours as we have seen in previous chapters, Europeans are now becoming worried that they will be left behind if the new conservative American strategy continues to succeed in making the U.S. economy much more competitive again.

Whether or not the renewed American stress on cutting wages, benefits, and jobs, while increasing working hours for those with jobs, will in fact help maintain U.S. economic dominance in the long run, however, is far from certain. A growing, though still limited, number of scholars and economists in the United States have been arguing that America can regain economic strength, not to mention a society with fewer social problems, only by moving in the opposite direction (see especially Thurow 1991; Reich 1991). In a similar manner, others have argued that the United States should look closely at how Germany is able to train its workforce and obtain more worker involvement in corporate decision making as a way to improve competitiveness (Thelen 1991; Turner 1991; Wever 1993). The argument, in short, is that America needs a better-educated, better-trained, better-paid, and more motivated and loyal workforce in a world economy that increasingly rewards nations that are able to compete in high-tech industries. As Thurow (1991) puts it, America must compete in a new high-tech world economy by worrying more about the education and motivation of the bottom 50 percent of workers and families, rather than by beating down wages and labor, as has been done in the past. In the view of many, it is the better-educated, more skilled, and more loyal workers (because of more labor participation and union involvement) of Europe and Japan who will give those countries the edge in future economic competition if the United States does not make big changes in these directions.

Whether or not the above is correct about competitive strategies for the future, an important point is that the systems of social stratification in the United States, Continental Europe, and Asian nations are significantly different, allowing differing classes to push through agendas favoring their interests relative to those in other class positions. As we saw at the end of Chapter 7 (see especially Table 7-5), there are what some refer to as competing models of "welfare capitalism," or simply different types of capitalist systems, with different relations between the government, the capitalist class, and the middle and working class (Esping-Andersen 1990; Goodin et al. 1999). The United States, and to a lesser degree Britain, have what some refer to as a neo-liberal system in which the government stays relatively uninvolved in the economy (with little economic planning and almost no government ownership of industry), resulting in more freedom for a corporate class to run the economy as they see fit to do so. I prefer to call the U.S. model corporate-dominated capitalism. Implied in this description of a neo-liberal economy or corporate-dominated capitalism is a relatively weak working class, and especially a working class lacking influence in the government and in obtaining government protection (with labor laws, income protection, social benefits). A significantly different capitalist system found in varying degrees in Continental European countries (especially Germany and France) is called a corporatist system, or what I call cooperative capitalism. In a corporatist system the corporate class and working class, in alliance with government, have arrived at a sort of power-sharing agreement so that the government helps organize the economy and protect the interests of all parties. A central component of the corporatist system in contrast to the neo-liberal U.S. system is strong labor unions and labor laws restricting what corporate elites can do in the economy and political system. Finally, less studied by Western social scientists, the most rapidly growing economies of the world have what can generally be called an *Asian development model* (Kerbo 2006: Chapter 3; Kerbo and McKinstry 1995; Kerbo and Slagter 2000a, 2000b; Dierichs and Kerbo 1999). In this model of capitalism the state has more independent, or autonomous, political power, as well as more control over the economy. As in the case of the second largest economy in the world, Japan, there is little government ownership of industry, but the private sector is rigidly guided and restricted by bureaucratic government elites. Indeed, these bureaucratic government elites are not elected officials and are thus less subject to influence by either the corporate class or working class through the political process. The argument from this perspective has been that a government ministry can have the freedom to plan the economy and look to long-term national interests without having their economic policies disrupted by either corporate-class or working-class short-term and narrow interests.

In the next chapter we examine how the German and Japanese forms of capitalism are different from each other and that of the United States. We also will see how these differences lead to different strategies for competing in today's global economy, with differing positive and negative outcomes for people in each country. Just as Britain, Holland, and France were competing with each other from different political and economic institutions in the 1700s, by the middle of the 21st century we will likely find out which of the three current forms of capitalism will be able to take or continue the lead in today's modern world system.

Summary

The nature of social stratification in a particular country can no longer be understood without reference to the position of that country in the modern world system, or world stratification system. In this chapter we began with a description of the main characteristics of the world stratification system. Most important in this description, we outlined the ranks of core, semiperiphery, and periphery nations within the modern world system and the basic characteristics of nations in each of these three positions. We then turned to a brief history of the modern world system, which began around the 1500s and included almost all of the world's area by the 20th century. It was this latter situation that helped explain the massive wars of the 20th century, when late-developing core nations—Germany, Japan, and Italy—tried to create their own colonial systems that required taking territory from other core nations. Also in this historical discussion we examined what helped the leading core nations attain dominance and then what led to their relative decline. With this historical perspective we considered the current competition among major core nations as we begin the 21st century and how the United States was able to regain its economic dominance.