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– How to Analyze a Totality –

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Immanuel Wallerstein's 'world system' approach to capitalism has stimulated Marxian economists in Japan to reexamine their own theoretical standpoint. During the late 1950s and 1960s Japanese Marxian economists experienced a serious debate over the question of world system vs. nation states. At that time the social background and the directions taken by the debators were not the same as Wallerstein's. The debate itself, however, focused exactly upon the same points and–I dare say–probed more deeply into the problem. So it is worth while to make a methodological comment upon "The Modern World-System" and its related products.

I. World System vs. Nation States

Wallerstein's greatest contribution to the understanding of capitalism is to have consciously raised the issue of the unit of the analysis implicitly contained in both the contemporary debate over modernization theory and the earlier debate between M. Dobb and P. Sweezy over the transition to capitalism. Wallerstein definitely answered that the analytical unit should be the social system as a totality, thereby revitalizing the Marxian concept of totality. (Wallerstein 1974, p.8; 1979, p.2)

According to Wallerstein, world empire and world economy have been the only basic forms of 'world system', leaving aside mainly pre-historic mini-systems based on reciprocal lineage mode of organization. The capitalist world economy is the contemporary world system which has survived 500 years without ever being transformed into a world empire. The capitalist world economy is "a social system that has boundaries, structures, member groups, rules of legitimation, and coherence". "It has the characteristics of an organism, in that it has a time span", and "what characterises a social system is the fact that life within it is largely self-contained, and that the dynamics of its development are largely internal". (Wallerstein 1974, p. 347) The remarkable foundation of this argument is its rejection of the loosely constructed and loosely used 'system' concept prevalent in sociolgy and its strict equation of system with the concept of totality. Using such a criterion, an entity usually described as social system–such as a nation-state–is not in fact a social system. Hence in the analysis of capitalism the concept of stages should not be applied to the parallel and a-historic development of nation states but should be used solely for the purpose of analyzing the one world economy. Employing this conceptualization, Wallerstein succeeds, as is widely admitted, in achieving a clear break with theories of modernization, particularly the stage theory of W.W. Rostow.

Although technological progress in industrialization has common characteristics in a certain limited sense, it is curious to believe in the myth that all countries could and should develop through the same path once followed by Britain (and later the U.S.). As nation states exist in a world market influencing one another—say, some dominating and others depending—, countries other than Britain no longer have the conditions that Britain enjoyed between the sixteenth and nineteenth centuries. Someone gains and others lose. It is the inevitable effect of the laws of competition in the world market. No one could present a set of developmental patterns as universal, irrespective of such historical and geo-politico-economic limitations. Moreover, one should not understand various forms of commodity production that developed in areas other than Northwest Europe developed since the sixteenth century as only feudal or slave. As Wallerstein rightly asserts, they are parts of 'the capitalist world economy'. From the beginning of the twentieth century, Marxists in Japan have suffered the difficulties of understanding Japanese capitalism. Before World War II they split into two camps. The 'Kōza' school asserted that Japanese society was essentially feudal, pointing to the abnormally high peasant rents paid largely in kind and supposedly originating from feudal personal subordination. The 'Rono' school, by contrast, preferred to understand tenant rents as capitalistic. They argued that the abnormally high rents in kind paid by tenants to landlords could and should be explained economically as the effect of over-competition among ever-rising number of landless peasants. The Kōza-Rōnō debate was closely related to another political debate over whether the emperor (Tennō)-led state was feudal or not. The emperor himself was by far the largest landowner and his regime adopted a Prussian-style constitution, which showed an impressive ideological tendency toward absolutism. Personal subordination was difficult to prove however and the Rōnō school also felt at a loss to understand the hitorical characteristics of Japanese capitalism, dissolving them into a universal tendency toward industrialization. In a word, the same question that agitated contemporary third-world intellectuals appeared earliest in Japan. For Japanese capitalism is historically unique in lagging far behind the European states of the late nineteenth century and being the last to realize a 'take-off', barely avoiding the very real danger of colonization.

Uno Kozo offered a solution to the debate just after World War II, with his theory of the three stages. Uno grappled with a methodological question. What is the relation of Lenin's "Imperialism" and Hilferding's "Finance Capital" to Marx's "Capital"? Lenin and Hilferding had tried to develop the analysis of contemporary capitalism directly out of the logic of parts of Marx's "Capital", with Lenin focusing on and developing accumulation theory and Hilferding developing the theory of money and commodity circulation. Uno saw through the inherent defects of such approaches. He devided the subject into two different dimensions. One he termed the 'theory of principle'—a systematic analysis of the 'pure capitalism', and a real existence but an ideal product based upon historical abstracts. The other dimension he called the 'stage theory'. It accounted for the 'world-historic stages of development' of capitalism—say, mercantilism, liberalism, and imperialism—by taking out the specific countries in each stage whose 'mode of capital accumulation, is both typical and determinitive of the basic stage. Uno also acknowledged a third dimension of analysis for dealing with specific countries, industries, etc., and for treating concrete situations after World War I and the emergence of the first socialist state. This he termed 'individual analysis' or 'analysis in existing conditions'. Uno thus distinguished his 'three stages theory' as such from the duality of the traditional history–theory approach. Uno was probably the first scholar in the world who understood theoretically that the stages of capitalism should not be equated with nation states but should constitute the world history of capitalism. By his paradigm, the historical characteristics of Japanese capitalism have come to be understood as being conditioned by Japan's historical and geo-politico-economic position in the world. In short, Japan was the last runner to have achieved a 'take off', barely avoiding colonization; it was also a tiny country located in the 'Far East', that was then influenced by the center far more than influenced.

However, serious contradictions immediately arose in Uno's theory, for his world-historic view was not thorough-going. Is it reasonable for the 'world-historic stages of development' to be applicable to each and every nation state? More fundamentally, is 'world capitalism' itself a real existence as a total system, or is it, at best, a collective noun for nation-states? After a series of such questions had arisen, the Uno school split in the early 1960s. One minority group, to which I belong, asserted that 'world capitalism' is a total system whose various stages require analysis. The mainstream of the school, however, declared that the only real existants were nation states and national economies, and that stages could be applied to each country though in a more or less limited sense. Ōuchi Tsutomu, espousing the latter viewpoint, threw what he took to be a challenging question to Iwata Hiroshi, representing the former position, when he asked, rather triumphantly, "where does world capitalism exist? Should it be located upon the Atlantic Ocean?" (Ōuchi 1967, p. 187) But we might rather conclude, probably with Wallerstein, that 'world capitalism' really does exist upon the Atlantic, for the system of transportation and communication necessary for the integration of the capitalist world economy could be fully developed and reach out in all directions only upon the ocean. Without the Atlantic none of us could imagine the capitalist world economy as a totality.

In any case, aided in reorganizing the paradigm by his own world system approach, Wallerstein furnishes a systematic explanation of the failure of Charles V's sixteenth century attempt to absorb the whole European world-economy and transform it into a world empire. According to Wallerstein, "world empire's weakness lay in the fact that the bureaucracy made necessary by the political structure tended to absorb too much of the profit, especially as repression and exploitation bred revolt which increased military expenditures. . . . It is the social achievement of the modern world, if you will, to have invented the technology that makes it possible to increase the flow of the surplus from the lower strata to the upper strata, from the periphery to the center, from the majority to the minority, by eliminating the 'waste' of too cumbersome a political superstructure". (Wallerstein 1974, pp. 15-16) Furthermore, "capitalism has been able to flourish precisely because the world-economy has had within its bounds not one but a multiplicity of political systems". (ibid., pp. 348) Such considerations greatly clarify the characteristics of both the capitalist world economy and the nation states which have grown ever stronger in the core. Neodependency theory had adopted the center–periphery approach and had fiercely attacked the developmentalists and many Marxists in the core countries who, using the same paradigm as the developmentalists, had been indifferent to the real cause of the growing structural inequality between center and periphery. Armed with his new perspective, Wallerstein could meet the challenge of neodependency theory.

Moreover, Wallerstein has developed and refined the center–periphery approach by inserting a mediating 'semi-periphery' inbetween the core and the periphery and by introducing the up-and-down dynamics in the system. Previously, the center–periphery approach was like a fossilized fatalism which insisted that center is center, periphery is periphery and the whole structure would reproduce itself with hardly any allowances. Such a stereo-typed analysis hindered the dependency theorists from understanding the real dynamics of the contemporary capitalist world economy. Particularly difficult to understand was the emergence of newly-industrializing countries (NICs) some of which had begun to catch up with core countries. The effort to fill such gaps began within the neo-dependency school. New terms such as 'sub-imperialism' (Marini) and 'go-between' nations (Gatung), were invented and have been in use. However, all of them indicate only one side of the roles being played by the newly industrializing countries. Wallerstein's conceptualization of semi-periphery succeeded in grasping the whole better. Not only did he postulate a dual role for the semi-periphery–appropriated by the core as well as appropriating the periphery–, but he also acknowledged the possibilities for position change within the system. This insight leads to a markedly flexible understanding of the function of the system, especially the relativity and vulnerability of exploitation and appropriation by the core in the contemporary crumbling capitalist world economy. Wallerstein emphasizes the crucial role of the semi-periphery as the political stabilizer required by the core in order to avert the unified resistance of desperate peripheral areas.

II. Totality of the Commodity World

If the chief merits of Wallerstein's work are to be found precisely in his adherence to the totality, then its main defects are also to be in the way he understands that totality.

Granted, the 'capitalist world economy' *is* a totality. But in what sense? Emphasizing the 'single division of labour' as the grid of the system as a totality (Wallerstein 1979, p. 14, 159), Wallerstein mentions 'mini-system', 'world empire' and 'world economy' as the one that fill the crucial condition. The 'single division of labour' means that a social system is, virtually, a kind of closed system in which life is 'largely self-contained' and the dynamics of its development are 'largely internal' as quoted above. According to Wallerstein, the capitalist world economy as such has firm roots in the 'long sixteenth century' when the new European division of labour was created; today it is the modern world's sole 'mode of production'.

Here a question immediately arises. Does the 'single division of labour' satisfy the necessary condition for the 'mode of production'? Of course not. True, Wallerstein tries to clarify the distinction between the 'single division of labour' and the simple connection through commodity exchange. As the content of the former, he presents a system of specific 'modes of labour control' newly created in three areas. They are tenancy and wage labour in Northwest Europe (the core), slavery and 'coerced cash-crop labour' in East Europe and the Wetern Hemisphere (the periphery), and share-cropping in Mediterranean Europe (the semi-periphery). But it is by no means possible for Wallerstein to escape blame for having dissolved the essence of the capitalist mode of production into the one of commodity production. He has done precisely that by combining and conflating the capital–labour relation and other forms of commodity production in a single category, 'mode of labour control', and by daring to assert sharecropping as a form of commoditization of labour power. (Wallerstein 1979, p. 17) His key concept of the 'mode of labour control' proves to be a failure. But his attempt to understand the three forms of commodity production as a unity is fundamentally correct; and his defiance of the traditional thinking that isolates various forms of commodity production from the total reality of the world capitalist system and treats them only as feudal or slave is exemplary. On the other hand, his very efforts to clarify the distinction between his approach and all others lead him to neglect other peripheral elements which are embedded in or partially combined with specific forms of commodity production.

We had better try a conceptual formation of the world capitalist system carefully noting gaps and overlaps between the relations of commodity circulation and capitalist relations of production. Let me be a Scholastic for a while. Generally speaking, the relations of 'Verkehr' (communication, transportation, and exchange) in modern capitalism take the form of commodity exchange. The relations of production in the wide sense–i.e., the social relations as a whole formed in the process of social re-production–contain the relations of 'Verkehr' as a part, while the relations of production in the narrow sense mean the relations formed among the men in the immediate process of production, to which the relations of 'Verkehr' are complimentary.

In conceptualizing the world capitalist system two characteristics of the relations of commodity exchange are crucial. First, as Marx clearly pointed out, the relations of commodity exchange are originally the external relations between 'Gemeinschaft' and 'Gemeinschaft'. However, after centuries of rather quiet evolution the relations of commodity exchange suddenly penetrated so deeply into 'Gemeinschaft' as to generate capitalism in a specific area at a specific point in time–namely, in Europe at the end of the 'long sixteenth century' to use Wallerstein's term. The relations of commodity exchange had by then absorbed the whole process of production. Consequently, the relations of production in the narrow sense take the form of commodify exchange–the capital-labour relations through commoditization of labour power–, which is the very essence of the capitalist mode of poroduction. Capital, the highest from of commodity circulation, then became the only subject of the world capitalist system. One should be a circulationist in this sense.

Second, because of their externality, the relations of commodity exchange are able to coordinate any production units regardless of the relations of production which generate them. Commodity circulation would happen to connect production units even by way of commoditizing products originally produced not as commodities. And labour power largely self-contained could be commoditized only at times. However, the forms and degrees of absorption differ considerably in different areas. Capitalist farming prevailed in the core at the end of the 'long sixteenth century'. It employed free wage labour, while peasant farming widely remained largely self-contained. In the periphery there remained peasants alongside of plantations at least so long as they were allowed to survive. The semi-periphery developed an inbetween form, sharecropping which does not include the concept of selling and buying of labour power in itself whatever. Surviving universally and largely self-contained in its operations, peasant farming functions as an occasional supplier of commodities and as a pool of idle labour for the system. Hence commodity circulation differs considerably from commodity production. Exactly through the articulating and coordinating ability of commodity exchange, industrial capital, though partial in the system, realizes the capitalist mode of production as a totality. Yet self-contained peasant farming tends to be put aside and omitted from the unification of the commodity world as a totality, the one that has a 'single division of labour'. From the viewpoint of the commodity world such elements are counted up only so far as they sell and buy commodities. The truth, however, is that the world capitalist system depends heavily upon such non-capitalist and non-capitalist-non-commodity elements. Hence, its totality through commodity exchange is one *of form only and not substance.*

The power of a totality formation, namely a self-regulative system formation of industrial capital is, in fact, limited to that extent. The way in which a totality formation depends upon non-capitalist-non-commodity elements is best illustrated by the fact that as long as peasant farming remains as a last resort, marginal labour can be recruited by extremely low (even starvation) wages and such labour can also be dismissed without the least worry for management of the labourers starvation. One might water down the category of industrial capital, with Wallerstein, by adding other forms of commodity production to it, but nothing would change. The reproduction of labour can not be fully assured within the commodity world. In that respect the commodity world confesses its partialness inherent to its external origin. Still it could claim itself a totality. Wallerstein means, in effect, no more than such a totality by the 'single division of labour'. A totality as such might be called the *superficial and phenomenal totality* in the sense that it remains in the sphere of commodity circulation, on the surface of the society, and does not include the whole of social reproduction. Such a totality might be more properly called a *narcissistic, and fictitious totality* because the commodity world, however superficial, can always claim to be a totality irrespective of its actual degree of integration. The totality of the capitalist world economy is neither more nor less than that. In a word, be a circulationist who is conscious of the limitation of the totality, or be a circulationist but never a narcissist, as is capitalism personified.

Sensitivity to the gaps and overlaps between the relation of commodity circulation and the capitalist relation of production, and ultimately to the alienated character of the capitalist mode of production is intrinsic to the works of K. Polanyi. But precisely such sensitivity is lacking in Wallerstein, who appears bewitched by commodity circulation. It inevitably leads him to overestimate capital's system formation capabilities. In this context S. Amin's wellknown theory of articulation which differentiates the concept of 'social formation' from that of 'mode of production' may be productive, though its ultimate fruits will depend upon whether he goes on to fully conceptualize the mysterious ability of 'articulation' that the relations of commodity exchange possesses.

The debate in Japan has, it seems to me, also exposed the overstimation of capital's system formation ability as seen in the arguments of those on the pronation states side who have stuck to 'pure capitalism'—in effect, one country capitalism that abstracts the external relations—as the object of analysis. They can not see the real limitation of capitalist mode of production inherent to the externality of commodity circulation.

Almost all of Wallerstein's weakpoints, which have been the target of opponents, derive from his misunderstanding of the totality of the 'capitalist world economy'. The criticisms and charges of 'economic determinism' and 'circulationist' indicate defects not of the world system approach in general, but of Wallerstein's particular approach to the world system. Needless to say, such criticisms do not in the least mitigate any of the praises he has earned for his contributions to the understanding of the system framework of the 'capitalist world economy'. My task here, however, is not to sort out the merits and demerits of his historical analysis. Instead, I prefer to spell out the question of 'unequal exchange' in order to clarify the character of the totality and the system framework of the 'capitalist world economy'.

III. Value in the World Market

Admitting the core—semi-periphery—periphery structure, why has that structure continued to dominate the world capitalist system ever since the sixteenth century? Here Wallerstein follows uncritically the argument of A. Emmanuel who attacks the system of unequal exchange in the world market. Though Wallerstein emphasized the aggravation of unequal exchange by the strong core states, economically he adopts Emmanuel's thesis as it is, without adding anything to it. Since the exchange between the core and the periphery involves high-wage and low-wage products, the result is an 'unequal exchange', "in which a peripheral worker needs to work many hours at a given level of productivity, to obtain a product produced by a worker in a core country in one hour". (Wallerstein 1979, p. 71)

Given the free international movement of capital and international immobility of labour, there would be, Emmanuel says, the materialization of the international prices of production advantageous to the core country of high wages and hence a low rate of surplus value—advantageous when compared with those which should otherwise be materialized within the core country. By definition, then the prices established within areas having socially distinctive institutions and institutionally different rates of surplus value is an 'unequal exchange'. (Emmanuel 1969, Chap. 2) Emmanuel's conceptualization rests upon two premises. One is that the rate of differential of wages is larger than that of labour productivity between the core and the periphery, and hence the rate of surplus value in the core is lower than that in the periphery; the other is that the prices of production should be calculated in the single sphere of the world market as the 'international prices of production' or 'world market prices of production'. But it is by no means certain that the rate of differential of labour productivity in various sectors between the core and the periphery always falls below the rate of differential of wages. There have been many documented cases, however, of direct exports of capital by multinationals, in which capital has nearly the same technological composition and the sole aim is the possibility of exploiting low wage labour. More important is that Emmanuel cannot escape the criticism of having adopted an arbitrary conceptualization without historical ground. The formation of prices of production must be within the areas where homogeneous labour has been historically formed and only then can one talk of 'social mean labour'. Emmanuel's second premise implicitly rests upon a more fundamental premise that labour in the world capitalist system creates the single world market value as the 'world labour', irrespective of the place of its input, according to phisical hours worked only with a modification by the rate of strength of it, though his theoretical framework tries to steer clear of involvement in the controversy upon value, by confining itself in a two countries-two sectors model, in which the periphery substitutes one sector of the core with the same technological composition and hence the same sums of constant capital and smaller sums of variable capital.

The premise of single prices of production and therefore single market values in the world market might evoke ethical sympathy, because human beings are equally respectable and 'égalité' has been an irrepressable slogan since the French revolution. However, not the ethics but the loyalty to the nature of the world capitalist system does matter. As Wallerstein himself admits, "national homogeneity within international heterogeneity is the formula of a world-economy". (Wallerstein 1974, p. 353) The concept of 'national labour' according to such a historical tendency of the world capitalist system can claim viability, but the notion of 'world labour' can not. The latter must be rightly blamed for an overestimation of system-formative ability of capitalism. Wallerstein has fallen into the snare of capital's narcissism with Emmanuel.

Moreover, although capitalism is a world system, it does not, as shown above, really totally integrate the whole essence of the processes of production in the world market. Rather, it integrates them to a limited extent only:—first, in so far as they adopt the form of commodities production; second, ultimately only superficially, that is, in the surface of commodities circulation. Nevertheless, it could claim its own totality narcissistically. *The same narcissism functions among national economies.* This is the key to understanding value relations in the world market. National economies link together only by way of commodities exchange. A national economy buy commodities from outside only conscious of the quality and price, irrespective of whether they are produced under the capital—labour relation or not, while it sells their own commodities irrespective of who will consume them. Such might be called a cool tolerance indigenous of the world market. Therefore, in the history of the world capitalist system a certain powerful core country occupying the monopolistic position as the 'workshop of the world' was, as it were, a selfregulative floating-island in the ocean. It had its own cycle of trade originating from internal and self-regulative but with the external relations as a measure or negative standard. The external world did not serve as a fixed measure, as numerous national economies also had, more or less, their own cyclical movements originating from within. However, the major cyclical fluctuations of the core was usually bigger and far more influential than those of the others. Then, the cyclical movement of the core country looked as if wholly internal and self-regulating, while those of the rest were more or less distorted their own rhythm and dependent to the core in varying degrees. But it never means the core is allmighty. It is a ficticious picture, partially at least, necessary to the narcissistic character of the world of commodity circulation that the core decides the fundamental movement wholly internally. The truth is that value relations and their fluctuations of the rest of the world, at least partially autonomous, are once *'internalized'* into those of the core country by the so-called *'translation'* through commodity exchange, and then are strongly counter-influenced from the core which mixes the indigenous elements really internal for the core with those originally external, and therefore that the pretended pure autonomous movement of the core country in fact includes and reflects the movement of the rest.

The crucial point here is that such 'internalization' by 'translation' belongs neither to the world market as a single subject nor solely to a core country. It belongs to all countries, as long as they form the unity of the national economy. Metaphorically speaking, all countries may be said to be narcissistic totalities and all of them have their own indigenous process of 'internalization'. They compete with each other to shape themselves as a commanding totality. But only one core country enjoys a more or less real totality by occupying the commanding position and, through its weight in world trade, integrating the world market with itself as the center. But the integration so achieved is limited, for other countries still retain their independence. This is a kind of abstract conceptualization of the world capitalist system as an *opened as well as closed* totality with the gold function of measurement and regulation to which the rest of the world market is indispensable as the relative standard. It is identical neither with those of nation states isolately and closedly assumed by developmentalists as well as calssic political-economists, cut off the external relations nor with that of the capitalist world-economy assumed by Wallerstein. It is a third way of abstraction that fits exactly the nature of the system formation ability of capitalism.

This is to deny any basis for speaking of a single 'social labour' in the world market. Instead there exists, or is in the process of formation, an indigenous 'social labour' within all nation states which create the national market value. Hence the necessity for conversion to the world market value. That is to say, not surprisingly, there is no 'unequal exchange' in value terms. Of course, there certainly is a terrible 'unequal exchange' in labour term. The mechanism of conversion, however, is quite complex. Direct comparison of a specific industry between the core and the periphery in value terms is not valid; nor can wage levels be compared here. Instead, entire systems of prices of production should be compared.

IV. The Limitation of Automatic Self-Regulation

Because he fails to see the narcissistic character of the totality of the world capitalist system and because he assumes with Emmanuel single prices of production and thereby implicitly a single social labour in the world market, Wallerstein has difficulty in recognizing the historical limitations of capitalism as a social system. His image of contemporary capitalism seems to deviate to the simple one of an ever-accelerating development which is not easily related to the emergence of the very ground of radical social change. For instance, his division of four major stages lacks an adequate qualitative characterization. In stage one he deals with 'the origins and early conditions' of the world economy as agricultural capitalism, still only a European world economy. Stage two witnesses 'the consolidation' of this system and 'the conversion of the world economy into a global enterprise'. In stage three he characterizes it anew as industrial capitalism, and in stage four it is consolidated. (Wallerstein 1974, p.10; 1979, p.25-31) Above all, by combining the stages of light and heavy industries in a broadly inclusive stage of industrial capitalism, he deprives them of their indigenous characters with respect to the automatic self-regulation of capitalism.

One may gain a better understanding of the totality of the world capitalist system by proceeding directly with the historical analysis of systems of prices of production in the world market and their automatic self-regulation.

First, it is easy to understand that the conversion of national labour can not be realized directly. For the conversion rate is a result than a cause of the comparison between the system of the world market prices of production and that of individual countries prices of production. If one sees it in ideal completion, the world system of prices of production shows itself as a hierarchy of the systems of prices of production. The central system of prices of production, the system of world market prices of production in a narrow sense (e.g. Great Britain in the early nineteenth century), is composed of the prices of all 'world market commodities' either manufactured domestically or imported and a series of prices of local goods. It has an overwhelming influence on other systems of prices of production—systems of regional market prices of production. For they are more or less dependent on the central system and their prices of 'world market commodities' have a definite relation to the central system (allowing for lags and differences due mainly to the period and the cost of transportation). Conversely, their prices of local goods are left nearly intact and have no definite relations to prices of the central system. Such is the conceptual formation of the world system of the systems of prices of production in the world market in a complete form. The foreign trade is carried out by comparing these prices of production in the world market.

The only way to relate any two systems of prices of production is through the use of gold as world money. In a national economy gold measures the value of commodities through purchase, and mediates a commodity circulation therewith. Then gold functions in token of money as money, that is, (1) to be withdrawn from the commodity circulation as means of hoarding (or means of value preservation), (2) to be transmitted as means of payment with a certain grace after forgoing purchases, and (3) outflow and inflow as means of foreign purchase and/or payment. However, its measurement of commodities value is not assured in advance. It is ultimately assured only through the regulation by gold function as world money—the regulation of the upper and lower diviations of the level of market prices from the standard level of prices of production. Other conditions unchanged, the level of commodity prices in the core national economy rises and consequently supply is urged to increase when the total of buying on credit and deposit drawing exceeds that of credit payment and new deposit. The regulation then operates as follows: exports decline and imports swell as price levels rise. The balance of payment then worsens, and a gold drain begins. Once the outflow of gold commences, the central bank must quickly reverse its credit policy to a strict tightning or else face the exhaustion of its gold reserve, the last resort of payment. Credit tightning immediately becomes universal, whereupon a credit crisis erupts. Buying on credit becomes extremely difficult while credit payment goes on at an expanded level. Hoarding spreads. Therefore, prices dramatically fall down. Prices which once rose above the standard level of prices of production are thus pulled back. The reverse goes on though not dramatically when the total of buying on credit and deposit drawing squeezes below that of credit payment and new deposit. This process of self-regulation of the core national economy has an overwhelming effect on the rest of the world market. Gold as world money thus functions as the final means of measurement of commodity value on a national economy scale by adopting the prices level of the rest of the world as a relative standard. Inner contradictions and disequilibriums of the core national economy are also solved in so doing. Hence automatic self-regulation is not confined to the price system, but effects the capitalist national economy as a whole.

However, only the relationships of prices of production are the definites in international economic relations. The systems of market values form an uncertain correlationship with each other not by a direct conversion but rather as a result so far as the comparison of the prices of production of 'world market commodities' brings about an equilibrium of international trade, if allowed to ignore international capital movement. The self-regulating function of gold as world money is essentially limited to the realm of commodity circulation. It never secures any substantial unity among national economies or a single value in the world market. The plurality of systems of market values therefore remains intact. The world capitalist system, however, has no other regulative means, since it has neither the free international mobility of labour nor of technology. Herein lies the first intrinsic limitation of the world capitalist system. But the defect might not be fatal since the substantial unity of the system is not necessary for its self-regulation. And up to this point one might agree with Ricardo's theory of comparative advantage which emphasizes mutual gains through foreign trade.

Second and more important, however, one must bear the blame for an extraordinary overestimation of the self-regulating action of capitalism if one assumes that a conversion of labour (hence the reorganization of capital and labour in the world market) is smoothly worked out at every explosion of an economic crisis. The fact is that few countries could follow the core country (Great Britain in the early nineteenth century) in quickly recovering both internal and external equilibrium. Britain accomplished it mainly through innovations in the process of production particularly in representative sectors, thereby allowing key export industries to achieve cost-reduction and a fair rate of profit even in depressed foreign markets. Some exceptional countries in the course of cathing up with the core might perform better. However, the bulk of peripheral areas usually lack the full ability to invest and reorganize the structure of their industries and consequently can not choose their own destiny. Whether they like it or not, they must obey the supreme orders of the world market. Not only was it nearly impossible for the periphery to develop new manufacturing industries, but the orders of the system were frequently too hard to swallow. They included the order to abolish traditional hand-manufacture for the sake of the core, with no proper alternatives. In the early nineteenth century Great Britain, the 'workshop of the world', enjoyed the supremacy of labour productivity. It sought and succeeded in reducing costs all the more in a depression, and could force its new prices as the standard in the world market. By contrast peripheral areas, in deadly competition with each other, could maintain their aggregate profits under conditions of a falling rate of profit only by producing their own special produces more. Equilibration did not work effectively precisely because the peripheral areas did not have a sufficient self-regulativity. And even if they had more or less such an ability, as in case of the semi-periphery, they were hindered from realizing it by the core. Produce prices continued to fall, beaten down by the core as long as the super-cheap labour, supported mainly by hidden unemployment in rural districts, could allow it. Explicit as well as hidden unemployment increased sharply due to the extinction of traditional hand-manufacture and the disolution of agricultural villages. This unemployment pressed down wages. Moreover, remarkably contracted levels of produce prices often became the new standard in the world market without any substantial recovery.

The theory of comparative advantage is actually valid only for the able core, while it serves as an apologia for a reality of appropriation of the periphery. There the theory conceals the absence of developing possibilities and the pressure toward the extinction of traditional hand-manufacture. No wonder that wages in the core, which are allowed to rise in order to meet the need for integration of the working class, would eventually be fifty times as high as wages earned in the periphery. Such an extraordinary wage difference arises from the cumulative effect of this ill-adaptation even when labour in the core should be converted to seven or eight times as much as that of the periphery on account of different rates of strength. The professed independence of capitalism and its actual dependency upon and appropriation of non-capitalist-non-commodity elements may be condensed to this point. The reproduction of the core–semi-periphery–periphery structure could thus occur through the very essential working of the world capitalist system itself which urges not only unequal but also neighbour-hindering development of productive forces in all countries and can not realize the decrease of international differentials of wages. Here lies the second intrinsic limitation of the world capitalist system. The latter can not peacefully co-exist with other social relations or rather primitive human relations. However, this limitation does not immediately furnish conditions of radical social change.

Third, ever since 1873 the self-regulation of the gold standard system has suffered serious functional disorder. It could work well when the world capitalist system had only one unchallengeable core, the 'workshop of the world', such as really existed only in the period 1820-70 based on the light industries. However, railway and heavy industries, taking the forms of joint-stock companies, developed. The representative industrial center shifted from Great Britain to the United States, though the financial center remained in London. Thereupon the conditions under which gold as world money could measure and regulate the commodity values of Great Britain and indirectly the world market as a whole were lost forever.

Toward the end of the nineteenth century large companies in heavy industries, employing vast sums of capital in the process of immediate production and unable any longer to enjoy their previous freedom of movement, began to take defensive actions against excessive fluctuations of prices and ultimately the value-measurement function of gold. They formed hierarchically organized monopoly enterprises, and the mechanism of equalization of the rates of profit was thereby lost. At the same time, capitalists, who had lost their own rule of free competition and were by then under conditions of labour shortage, reluctantly began to make concessions to workers in order to integrate them. Social policies were introduced. The logic of capital, which had enjoyed freedom of exploitation till then, thus began to be imposed serious restrictions in the core. These elements also made it difficult for capital to accept the regulation of gold as world money.

On the other hand, cyclical fluctuations of British industries became mild and lagged behind those of the United States and Germany to the effect that substantial disequilibrium disadvantageous for Great Britain in its period of prosperity all but disappeared. International issues and the circulation of stock shares and bonds took priority over foreign trade in generating a trade cycle and causing a disequilibrium in the balance of payment thereby. However, Great Britain, the 'banker of the world', could easily end such a disequilibrium by decreasing new issues and the outflow of shares and bonds which were spurred by the differential of interest rates. Thus a totality like a floating-island in the ocean ceased to be automatically self-regulative in the substantial sense as before. Both internal balanced distribution of capital and labour and the international equilibrium of trade could no longer be systematically realized for the core through the value-measurement function of gold. Great Britain, the center of the world market, began to lose its ability of automatic self-regulation, though financial operations continued to be used to patch up growing difficulties and disequilibriums. The United States, having assumed Britain's place in the sense that had overwhelming weight in world production, was not furnished with the same ability of autonomous self-regulation.

The third limitation of the world capitalist system emerged precisely here. Unlike the previous two limitations, the third is historically formed within capitalism's development process and gives the ground for capitalism to die out. The third limitation clearly shows the necessity to replace the law of capitalist market economy by the conscious activities of men. For who can deny the crucial importance of devising stabilization schemes for the international monetary system—schemes which would coordinate with the gradual introduction of planning into national economies?

But the loss of the ability of automatic self-regulation of capitalism as a world system does not immediately mean the decline of capital. Capital, as self-proliferating value, has developed all the more strongly since 1873. The unity and concentration of capitalism as a world system might be acknowledged with Wallerstein to have been strengthened in a sense of the ever-increasing gravitation to drag everything into competition. The unity without automatic self-regulation, or the unity—if one could still apply the word to contemporary capitalism—of compelling competition only. The distorted development of capitalism as a world system is beginning to threaten the continuation of human society and organic nature itself.

In the midst of this period of deterioration capital has flown out from the core into the periphery and, especially since World War II, has taken the form of direct foreign investment by multinational enterprises. The calculations of multinational enterprises have been multiple. However, their investment in manufacturing has been made exactly upon the comparison between the expectable marginal rate of profit in the periphery and that in the core. The latter would fall down if the whole amount of profit continued to be invested internally instead of externally. Low wage labour is a major condition for multinational's investment in manufacturing. Direct investments of multinationals have hardly been able to change the basic core—periphery structure and low wage labour in the periphery. Only a small amount of mostly unskilled or semiskilled labour can be absorbed owing to the high technological composition of capital and the smallness of the home market. Meanwhile, the power of the world market to dissolve traditional rural villages, together with their enveloping environments, is far more decisive than before. The social effects of peripheral development are thus nothing but the concentration of that deterioration of capitalism. However, one must recognize the growth of people's movements, rather reformative in the core while revolutionary in the periphery, to reject, control and frame those destructive activities of capital eventually up to the point of its burial.

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