

## CHAPTER

# 6

## Industrialization and the Expansion of the World-System

Immanuel Wallerstein (1984) identifies three great trends in the evolution of the capitalist world-economy: increasing **mechanization** of production, increasing **commodification** of the factors of production, and increasing **proletarianization** of the labor force. Increasing mechanization involves the growing application of advanced technology, especially machinery, to production tasks. The level of commodification of the factors of production advances when land, labor, technology, and other productive forces increasingly come to be regulated by the market and by considerations of their profitability. Increasing proletarianization results when a larger percentage of the workforce is compensated in the form of wages. Taken together, these three trends mark what is known as a **deepening of capitalist development** (Shannon, 1996). This chapter explores the deepening of capitalism over the past two centuries. Of particular concern is what has been called the Industrial Revolution: what it was, when and why it occurred, and what its consequences were for the capitalist system. The chapter also explores the evolution and expansion of capitalism from the late nineteenth century to the present, as well as the rise and fall of great powers in the world-economy and the reasons why powerful states rise and fall.

### The Industrial Revolution and the Emergence of Industrial Capitalism

#### The Industrial Revolution and Its Causes

The Industrial Revolution involved the transformation of a technology resting heavily on human and animal labor into a technology characterized by *machines* (Landes, 1969). Along with this came the transition from a heavy reliance on agricultural production to a reliance on the manufacture of goods for sale in the context of a factory system. The Industrial Revolution was, at bottom, a revolution in technology; it created, nevertheless, new and profound changes in the very economic structure of society, bringing new methods of production and exchange of goods, and profound changes in the organization of labor. Peter Stearns's (1993:11) definition of the

Industrial Revolution—or of *an* industrial revolution whenever and wherever it occurs—is an excellent one. He says that it involves “a massive set of changes that begin when radical innovations in technologies and organizational forms are extensively introduced in key manufacturing sectors and that end, in the truly revolutionary phase, when these innovations are widely, though not necessarily universally, established in the economy at large.”

The Industrial Revolution began in England during the second half of the eighteenth century, its first phase typically being dated from about 1760 to 1830 (Landes, 1969). This initial phase of **industrialization** was characterized by the great expansion of the textile industry and by major developments in the manufacture of iron and the mining of coal. The textile industry, especially the manufacture of cotton cloth, was advanced through the invention of the spinning jenny, the water frame, the power loom, and the cotton gin. The growth of textile manufacture spurred the development of the factory system. The invention of the steam engine was also an important part of this process, as it was used to power the heavy machinery housed in the textile factories. Textiles formed a vital part of the English economy and were a major export in the international capitalist system.

The iron industry also underwent significant expansion in the first phase of industrial development. Iron was increasingly in demand for the manufacture of steam engines and machine tools; machine tool production itself became a significant feature of the English economy. The increasing manufacture of these products, in turn, caused an increase in the demand for coal and the expansion of the coal mining industry.

Industrial technology was soon to be found in several other parts of Europe during the nineteenth century, especially in Belgium, France, and Germany. France did not have the coal deposits of Britain or Belgium, and so its industrialization lagged behind theirs. However, it was still one of the world's earliest and leading industrializers. Cotton and wool production were important, as was metallurgy. Industrialization picked up speed in the 1840s with the development of the railroad system. German industrialization started somewhat later. Between the 1840s and the 1870s, coal production expanded greatly, and iron production started to expand in the 1850s. Railroads also began to develop at this time. German industrialization concentrated on capital-intensive heavy industry, and the state played a much larger role than it did in Britain, Belgium, or France (Stearns, 1993).

The United States began to emerge as a major **industrial society** in the 1830s. Textile factories emerged and spread across New England, the heartland of early industrialization. There were also important developments in machine building and printing. The development of railroads in the 1850s and 1860s was an extremely important part of American industrialization, especially as they expanded westward and allowed the opening up of the American frontier (Stearns, 1993).

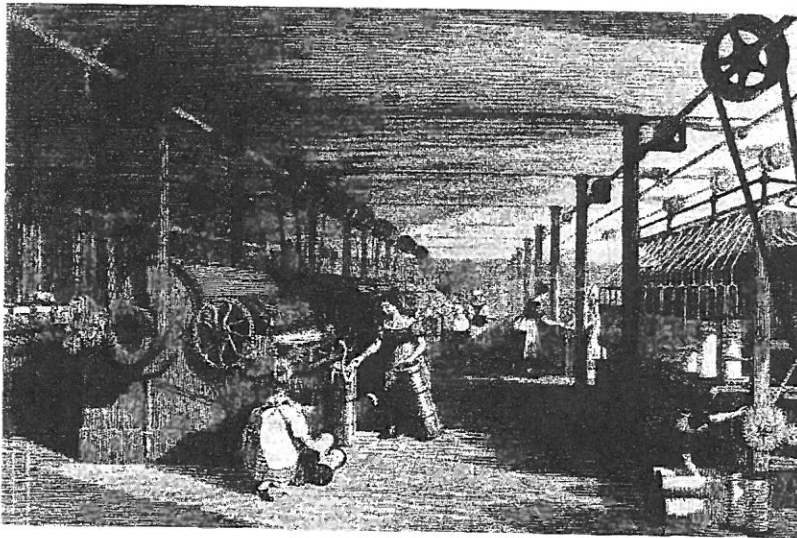
By the late nineteenth century, both Russia and Japan had begun to industrialize. Between 1860 and 1900, Russia had increased its number of railroad miles from 700 to more than 36,000. Railroad expansion contributed importantly to the production of coal, iron, and wool. Japan's industrialization can be dated from the 1870s. Railroads were a major part of Japanese industrialization, as was mining, shipbuild-

ing, textiles, construction goods, food processing, match production, and chemicals. As in Germany, the government played a critical role in financing and organizing the industrialization process (Stearns, 1993).

The Industrial Revolution created a new mode of economic production, *industrial capitalism*. As indicated in the last chapter, industrial capitalism differs from other forms of capitalism in that it involves the earning of profit through the employment of wage workers. The establishment of industrial capitalism on a major scale thus required the reorganization of the workforce into the factory system, and the factory became the basic social unit of capitalist production. Michel Beaud has said the following in regard to the emergence of industrial capitalism (1983:83):

During the nineteenth century it was chiefly through the establishment of mechanized industry that the capitalist mode of production was extended. The "mills" which had begun to be built in England at the end of the eighteenth century became more widespread, not only in England itself, but in Belgium, France, Switzerland, Germany, and the United States. The development of these mills was particularly striking in the "driving" sectors of the time: textiles and metallurgy. Men who had previously been traders or merchants, as well as foremen and the sons of artisans, became manufacturers and availed themselves of a labor force that had become available through the transformation of the countryside or through immigration. These laborers were employed with the intention of extracting the maximum, and it was in conditions of misery and unbearable oppression that the original core of the modern working class was formed.

Obviously, industrialization did not end with these technological and economic developments. Rather than as an event or a series of events, industrialization is better thought of as a continual process that has existed down to the present time. In the middle of the nineteenth century, further technological innovations emerged



*Weaving cotton cloth in a British textile mill, 1835. The manufacture of cotton cloth was the spearhead of the English Industrial Revolution.*

and existing technologies were elaborated and applied to capitalist production on a wider scale. For example, the steam engine came to be applied to transportation. It was used to create the first steam railway and was applied as well to navigation with the invention of the steamboat. It was during this time that railroads began to emerge as an extremely significant aspect of capitalist investment (Dobb, 1963).

By the turn of the twentieth century, the automobile, electrical, and petroleum industries were becoming important features of life in industrial societies (Lenski, 1970). By World War II, the aviation, aluminum, and electronics industries were achieving major economic significance (Lenski, 1970). Recent years have witnessed such notable technological developments as the harnessing of nuclear energy and the manufacture of highly sophisticated computers on a major scale. It takes no particularly acute vision of the future to see that such developments are undoubtedly only the beginning of a series of enormous technological accomplishments.

This picture of the Industrial Revolution is highly schematic, but it should nonetheless serve to make clear just how significant were the technological changes that were taking place. These changes were to produce major changes in the structure of social life throughout virtually the entire world. But why did the Industrial Revolution occur when and where it did? Indeed, why did it occur at all?

Some scholars have seen the Industrial Revolution as rooted in population pressure (R. Wilkinson, 1973; Boserup, 1981). They see industrialization as simply another technological advance that, like earlier technological advances such as the emergence of agriculture or the invention of the plow, is rooted in the desire to stave off declining standards of living created by increasing numbers. It is unlikely, though, that industrialization can be explained by demographic growth. We are dealing here with a technological change far different from the technological changes of earlier eras.

A much better explanation is that the Industrial Revolution was the logical and predictable outcome of the evolving European world-economy (Wallerstein, 1989). By the middle of the eighteenth century, England had clearly emerged as the dominant power within this economy. England had expanded its import and export markets throughout the capitalist system and had concentrated within itself enormous quantities of wealth. This wealth became essential as capital to be used in financing factories and machinery, and thus England was in a uniquely favorable financial position to engage in industrial development. As Stearns notes, "Considerable investment funds were required—the new machines were expensive, far costlier than any manufacturing equipment previously devised, even in the very small factories that characterized much early industry" (1993:34).

But as Eric Hobsbawm (1968) points out, capitalism has no inherent bias toward technological innovation for its own sake. It only has a bias toward increased profitability and will innovate only when it is profitable to do so. With this insight, it is easy to see why England was strongly oriented toward major industrial development. Industrialization permitted increasing productivity and lowered costs, which in turn allowed for the expansion of England's existing domestic and foreign markets and for the creation of new ones. The result was the increasing accumulation of capital on a grand scale.

The Industrial Revolution was thus the historical product of the European capitalist world-economy, and it was initiated by the nation that was best suited economically to bring it about. This fact also helps explain why the Industrial Revolution occurred when it did rather than much earlier or later. It could not have occurred much earlier, since its emergence closely depended on the creation and substantial expansion of a capitalist world-economy. Its occurrence at some much later time was also unlikely, since industrial technology was an important—indeed, an essential—component of an expanding economic system fundamentally committed to unlimited growth.

So industrialization required a capitalist economy with a high level of commercialization and capitalists with a great deal of capital to invest in the new and very expensive machinery. But it also required critical raw materials, especially coal and iron. England, Belgium, and Germany possessed large coal deposits, and this helps to explain why industrialization occurred earliest in these regions of western Europe. There were also substantial deposits of iron ore in these regions, and these deposits were often located close to the coal sources. Because of the importance of textile manufacturing to the Industrial Revolution, fibers were also needed. Western Europe, Britain in particular, had a great deal of wool because of sheep farming, as well as access to cotton grown in the American South and in India and other parts of Asia (Stearns, 1993).

It is also important to see why the Industrial Revolution did not occur outside Europe. Of all the non-European societies, China was in one sense the most likely to have had an industrial revolution. As Wallerstein (1974a) has pointed out, in CE 1500 China was technologically at least as advanced, if not more so, as western Europe (cf. McNeill, 1982). But by 1800, western Europe had far surpassed China. This demonstrates that technological change is surely not an autonomous process, occurring for its own sake. Rather, it depends on particular conditions. Western Europe, and England especially, had precisely those conditions logically leading to major technological innovation. But what did China have (or not have) that impeded major technological advance? For one thing, it was not organized around a capitalist mode of production in the eighteenth century. In addition, it had an imperial bureaucratic state that did not depend on technological advance for its enrichment and that actively squashed many technological innovations because of their potential economic threat (Wallerstein, 1974a). Imperial China was therefore not well situated to experience the world's first industrial revolution.

### **The Industrial Revolution in World-System Perspective**

In the third volume of his *The Modern World-System* (1989), Wallerstein suggests that the notion of the Industrial Revolution is something of a myth, or at least that the way in which most scholars have spoken of these changes is highly misleading. Wallerstein is essentially making three closely related points: first, that the changes were not as dramatic or as revolutionary as commonly thought; second, that the so-called Industrial Revolution is not some sort of great dividing point between the past and the modern world; and finally, that what is called the Industrial Revolution was

part and parcel of the evolution of the world-economy as a whole, not simply of individual societies within it.

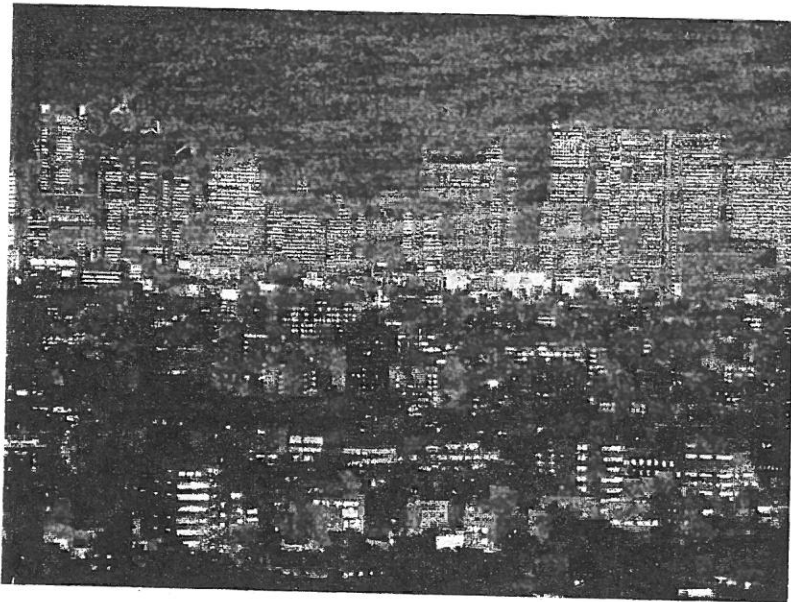
As noted earlier, Wallerstein argues that one of the great evolutionary trends of the capitalist world-economy is increasing mechanization. This occurs throughout the entire system, but it is carried out faster and far more extensively in core societies. Increasing mechanization has gone on continually, even if not smoothly, throughout the history of capitalism. From this perspective, the Industrial Revolution of the eighteenth century was simply one phase in this evolutionary process, and therefore not really revolutionary at all. Considerable mechanization had occurred in earlier centuries, especially during the period between 1540 and 1640 (Nef, 1964; Tilly, 1983). All of this means that the "great divide" in world history is not the Industrial Revolution, as most social scientists have argued, but the transition to capitalism that began some three centuries earlier.

In addition, if the Industrial Revolution was part of the evolution of the capitalist world-economy as a whole, then one has to use the entire system as a reference point in understanding why it occurred. In this regard, Wallerstein insists that what is called the Industrial Revolution occurred in certain core societies during what he terms "the second era of great expansion of the capitalist world-economy" (Wallerstein, 1989). Capitalism was born in the fifteenth and sixteenth centuries and expanded throughout a significant portion of the globe during that time. Then, in the seventeenth century, it continued to expand, but at a much slower rate (Wallerstein, 1980). After about 1730, it entered a third phase, which was its second phase of rapid expansion. By the end of this phase—sometime during the middle of the nineteenth century—it had come to cover a large portion of the globe (most of it by the end of that century). And it was during this third phase that extensive industrialization occurred within the major core societies, and for reasons that have already been explained.

Wallerstein's overall position seems basically correct, but with the important qualification that he underestimates the extensiveness of the technological and economic changes after the middle of the eighteenth century. To be sure, increasing mechanization has been a continual process in the history of capitalism, but it has also been very sporadic and uneven. It is an exaggeration to imply that the technological changes before 1760 were on the same scale as those that occurred after that time. Therefore, while many scholars may overrate the significance of the Industrial Revolution, Wallerstein underestimates its significance.

## Industrial Capitalism Since the Late Nineteenth Century

By the last quarter of the nineteenth century, the capitalist world-economy was dominated by four core societies: the United Kingdom, the United States, Germany, and France (Chirot, 1986). These four societies were the most highly industrialized and urbanized societies in the world. In 1900, they collectively produced approximately three-quarters of all the world's manufactured goods despite having only about one-eighth of the world's population (Chirot, 1977).



*Shinjuku skyscraper district of modern Tokyo, Japan. Japan is one of the most highly urbanized of the world's industrial societies.*

According to Daniel Chirot (1986), membership in the capitalist core was also held by five other societies: the Netherlands, Belgium, Switzerland, Sweden, and Denmark. The semiperiphery at this time consisted mainly of Spain, Austria-Hungary, Italy, Russia, and Japan (Chirot, 1986). The periphery consisted of Portugal, China, the Ottoman Empire, the eastern European countries, and all or nearly all of Latin America, Asia, and Africa.

World capitalism around the turn of the twentieth century had a number of crucial features that cannot be overlooked. One of these was the relative decline of Britain in the world economy and the relative rise of several other nations, especially the United States. As Beaud (1983) notes, Britain's share of world industrial production fell from 32 percent in 1870 to 14 percent just before World War I, and then to only 9 percent by 1930. At the same time, the U.S. share of world production was increasing. In 1870, the United States produced 23 percent of the world's goods; by the eve of World War I, it was producing 38 percent, and its share of world production had climbed to a full 42 percent by 1930. By the early twentieth century, the United States had clearly replaced Britain as the world's major core power.

Another crucial feature of world capitalism at this time was its entry into a new phase of capitalist development, what has often been termed **monopoly capitalism**. Under monopoly capitalism, the competitive character of capitalism was increasingly reduced as capitalist companies grew in size and in their concentration of capital. Large corporations began to dominate the market and to drive out smaller producers by ruining them economically and then swallowing them up. Eventually, a few giant corporations dominated the market for many industries. Beaud sums up the extent to which capital was being centralized in the hands of fewer and fewer companies during this time (1983:136-137):

Everywhere, the average size of business establishments and industrial companies increased. . . . In times of crisis mergers took place which benefited the most powerful companies; thus during the period 1880-1918 in Britain, 655 companies "disappeared" into 74 merger companies.

Above all, unprecedented concentrations of capital occurred, under the direction of a capitalist or of a family; trusts or groups very quickly came to dominate an entire industrial sector within a nation, especially in the United States and in Germany. In the United States in 1908, the seven largest trusts owned or controlled 1,638 companies. By 1900, the percentage represented by the trusts included 50 percent of textile production, 54 percent of the glassmaking industry, 60 percent of the book and paper industry, 62 percent of the food industry, 72 percent of the liquor industry, 77 percent of nonferrous metals, 81 percent of the chemical industries, and 84 percent of iron and steel. These included companies such as the United States Steel Corporation, founded by J. P. Morgan and E. H. Gary, which incorporated the Carnegie steel mills, and Standard Oil, founded in 1870 by J. D. Rockefeller, which in 1870 refined only 4 percent of American petroleum but by 1879 controlled 90 percent of the American refineries, and by 1904 controlled 85 percent of the domestic business and 90 percent of the export business as well.

In Germany the Krupp industrial empire employed 7,000 workers in 1873, and 78,000 in 1913; the AEG electrical industry, through an astonishing process of concentration, by 1911 controlled 175 to 200 companies, and employed more than 60,000 workers.

The emergence of monopoly capitalism was also characterized by a substantial increase in foreign investment by the core capitalist nations. Foreign investments quadrupled in Britain from the early 1890s to the early 1910s. In Germany, such investments doubled between 1883 and 1893, and then doubled again between 1893 and 1914. In France, they tripled between 1880 and 1914. About half of the foreign investments of the core powers were made outside Europe and North America. Latin America accounted for 19 percent, Asia for 16 percent, Africa for 9 percent, and Oceania for 5 percent (Beaud, 1983).

By the middle of the twentieth century, a new economic unit had become prominent in the capitalist world-economy: the **transnational corporation** (Barnet and Müller, 1974). The transnational corporation is today the central economic entity within world capitalism (Bornschiefer and Chase-Dunn, 1985). A transnational corporation is a company that has branches of production in more than one country. Long before the rise of such a corporation, capitalists *sold* their products in a world market, but the rise of the transnational corporation marked the emergence of international *production*.

The huge importance of the transnational corporations can be gleaned from a comparison of their sales revenues with the Gross National Products (GNPs) of some smaller European nations (Heilbroner, 1972). (*Gross National Product* is the total value of goods and services produced in a nation in a given year.) For example, in the late 1960s, General Motors had a sales level exceeding each of the GNPs of Belgium, Switzerland, Denmark, Austria, Norway, Greece, and Portugal. Similarly, the sales of Standard Oil of New Jersey exceeded the GNPs of all these countries except

for Belgium and Switzerland. Today, the situation is similar. In 1997, General Motors had revenues exceeding the GNPs of Norway, Finland, Denmark, Poland, and Portugal, as well as such rich East Asian countries as Hong Kong and Singapore, and Ford Motor Company's 1997 revenues exceeded the GNPs of all of these except Denmark. Moreover, such Fortune-500 transnationals as Mitsui, Mitsubishi, Royal Dutch Shell, Exxon, Wal-Mart, Toyota, General Electric, IBM, Daewoo, and British Petroleum had 1997 revenues exceeding the GNPs of most of the world's countries outside the most highly developed ones (*Fortune*, 1998; Kiljunen, 2003).

The transnational corporation is only the latest in a series of strategies used by capitalists in the historic process of capital accumulation. By internationalizing production, capitalists are able to overcome certain barriers imposed on their accumulationist activities. One of these barriers is the existence of tariffs on imports. By locating a branch of their company in a foreign country, capitalists are able to produce and sell their products directly in that country and avoid costly tariffs and other restrictions.

In the capitalist world-system today, the great core powers are the United States, Germany, France, and Japan. Although the United States is still the leading core power, its dominance is not as great as it once was. Most of the other nations of western Europe, as well as Canada, Australia, and New Zealand, are also members of the core. The semiperiphery principally consists of poorer European nations, such as Portugal, Spain, and Greece; most of South America; and the better-off countries in Asia (e.g., Taiwan, South Korea, Singapore, and Hong Kong) and North Africa (e.g., Algeria, Morocco, and Egypt). The periphery consists of the rest of the less-developed world: almost all of sub-Saharan Africa, numerous Asian countries, and some countries in South and Central America. (Chapter 9 will provide a close look at these nations of the contemporary capitalist periphery and semiperiphery, with an eye to explaining their low levels of economic development.)

### **The Japanese Transition to Industrial Capitalism**

The discussion of industrial capitalism thus far has concentrated on Europe and North America, but it is well known that Japan has in recent decades emerged as a major industrial capitalist society and a world economic power. Many people, social scientists and laypersons alike, expect Japan to be the leading world economic power early in this century.

Japan was incorporated into the world-economy after 1853, when Western ships landed in its harbors and demanded that it end its two centuries of economic isolation from the West. Japan somewhat reluctantly accepted its inability to prevent Western contact and influence, but it took important steps to guarantee that Western contact would not do serious harm to its economy and society. In 1868, Japan underwent a major social and political transformation known as the Meiji Restoration, which not only changed the form of government but, more significant, initiated a major program of economic development and industrialization. It is important to recognize that Japan was incorporated into the capitalist world-economy as a

semiperipheral rather than a peripheral country. It was economically strong at the time of incorporation, and thus it was able to resist being relegated to the production of raw materials for the benefit of core societies.

One of the first tasks of the modern national state that was created in Japan in 1868 was to make vigorous efforts to encourage large-scale industrialization, and the state came to play an extremely important role in the organization and development of the economy. Japanese industrialization involved direct government action to a degree far greater than was the case among the earlier European industrializing nations. Frances Moulder (1977) identifies three major ways in which the Japanese state involved itself in moving the economy forward:

1. It established pilot projects with its own funds and administered them.
2. It subsidized industries, especially heavy industry, railway construction, shipping, and mining; railways were a major government activity, as was mining; by the 1880s, six mines (devoted to the mining of iron, lead, gold, silver, copper, and coal) were being operated by the government, and these were virtually the only ones that were worked on a large scale with modern machinery; and the government also became heavily involved in manufacturing during the 1870s, especially in the textile industry.
3. It encouraged the formation of a system of national banks that would provide long-term loans at low interest rates to investors in modern industry.

The state continued to play a crucial role in Japanese economic development throughout the twentieth century, and plays such a role even today. The involvement of the Japanese government in the economy is so great that the country is sometimes jokingly referred to as "Japan, Inc." (Chirot, 1986).

It is mainly in the last 50 years that Japan has risen to the position of a leading world economic power. From the mid-1950s through the 1980s, the Japanese economy grew at a phenomenal rate. In 1989, Japan produced one-quarter of all the passenger cars manufactured throughout the world. By 1991, it produced about 30 percent of the passenger cars sold in the United States (this figure includes cars produced in Japanese factories in the United States). Japan has also outproduced other major industrial capitalist nations, or at least strongly challenged them, in the manufacture of such products as radios, quartz watches, televisions, calculators, video cassette recorders, stereophonics, computers, silicon memory chips, and robotics (Hane, 1992).

There are a number of important differences between Japanese capitalism and capitalism in the West (Yoshihara, 1986; Hane, 1992). One of these concerns the organizational structure of Japanese companies. Japanese companies usually guarantee lifetime employment to their workers. Workers generally spend their entire lives with the same company, and so they are totally committed to it and involved in it. Not only do they spend numerous hours working, but when they are not working they are commonly eating, drinking, or playing golf with coworkers or customers. How they are evaluated by the company is equivalent to the evaluation of their entire personality. Japanese workers at all levels therefore have enormous incentives to

work hard. Labor-management relations are also different from those in Western capitalism. Workers in Japan are asked for their opinions much more than are Western workers, and emphasis is placed on group rather than individual decision making. Japanese companies lose very few days to labor disputes compared to the number of days lost by Western companies, and a mere 4 percent of the days lost by U.S. companies. Japanese companies also think more in terms of long-term rather than short-term profits.

Japanese companies are well known to collaborate very closely with each other, with firms forming conglomerates known as *keiretsu*. A *keiretsu* involves a giant producer at the top—Toyota, Nissan, or Sony, for example—and a number of satellite firms that supply the top company with the materials it requires to turn out its products. *Keiretsu* members confer closely with each other and engage in many forms of coordination of their activities. Each *keiretsu* is in essence a type of closed club whose members derive important economic benefits by keeping others out. In many ways, the Japanese economy is a network of closed systems within a larger closed system.

Japanese capitalism is also more collectivistic than Western, especially American, capitalism. This is largely a reflection of its much more collectivistic culture in which individuals are encouraged to subordinate their personal goals to group goals. Japanese collectivism is also reflected in the substantially greater role of the state in capitalist enterprises. As noted earlier, the state played a very strong role in the early development of industrial capitalism in Japan. Japanese capitalism proves that, although capitalism is usually associated with individualism, it does not require it.

Japanese culture is not only highly collectivistic but is also characterized by a marked asceticism. It emphasizes hard work, self-sacrifice, frugality, deferred



*Central Park section of modern New York City. Large-scale urbanization has been one of the most important consequences of industrialization.*

gratification, and planning for the future. Japanese asceticism is not the sole basis for the remarkable success of Japanese capitalism, but it can be regarded as an important "preadaptation" for Japanese economic development.

Some scholars have suggested that the phenomenal development of Japanese capitalism in the last half-century has resulted from its Confucian philosophy and religion (e.g., Berger, 1986). But, as Kunio Yoshihara (1986) has argued, this is very unlikely. The original homeland of Confucianism was China, and Confucianism arose over 2,000 years ago, but China has only very recently started on a path of significant economic development. If Confucianism has been a powerful factor in capitalist development, then China should be much more developed at the present time than it actually is.

### Hegemonic Rise and Fall in the World-System

Immanuel Wallerstein (1979, 1984) has introduced the concept of **hegemony** into the discussion of the world-economy and its evolution. A *hegemon* is a society so economically powerful that it dominates world production, trade, and finance, and can basically dominate all other economic actors. Economically, a hegemon is "number one," but a society can be number one without being truly hegemonic. Throughout much of the history of the world-economy, there has been no true hegemon.

To become a hegemon, a society needs not only an extremely efficient mode of capitalist production but also a very strong state and a strong military. According to Wallerstein, the first hegemonic power in the world-economy was Holland (the United Provinces), which was hegemonic between 1625 and 1675 (Israel, 1989). Dutch hegemony was rooted in a number of advantages. It had an extremely favorable geographical location on the North Sea, which facilitated its mercantile capitalism. It also possessed a special kind of ship, the *fluyt*, which was a trading ship that was built in such a way that it could save manpower, thus reducing labor costs, while not sacrificing economic productivity (Wallerstein, 1989; Israel, 1989). Dutch agriculture was also highly specialized and productive. This made possible a densely populated society—the densest in the Western world—that was highly urbanized; a large part of the Dutch population could be freed for work in nonagricultural production (Israel, 1989). Holland also enjoyed low freight charges and low interest rates. The Dutch had a very powerful state that was extremely capable of promoting Dutch production, finance, and trade. This state supervised a very broad range of economic activities and seemed to be uniquely suited to protecting and advancing trade (Israel, 1989). It also had a very powerful navy that consistently defeated its principal rivals—Britain and France—in war. The Dutch economy was so efficient that Britain and France could not dislodge it economically; they had to resort to constant war to try to gain the upper hand.

The Dutch "golden age" was over by 1675. Holland lost its hegemonic position, as all hegemons eventually do, but it continued to be a major economic power in the world-economy. When Holland slipped from its hegemonic position, Britain

and France advanced. It was particularly Britain that gained from Holland's loss, and it became hegemonic by about 1815, maintaining this position for about 60 years (Wallerstein, 1979, 1989). It was, of course, the world leader in industrialization, producing approximately half of the world's goods in 1860, and more than half in such industries as iron and steel (Mann, 1988). It also carried a third of world trade and accounted for a quarter of the world's exports (Mann, 1988). Britain was known as "the workshop of the world." It had an extremely powerful state, and its navy ruled the seas. Its hegemony also became cultural in nature, as it transported its language and institutions throughout the world by way of the vast colonial empire it had created.

The loss of British hegemony can be dated from the early to mid-1870s. Most of Britain's subsequent economic decline took place by the beginning of World War I. From producing about one-third of the world's goods in 1870, it was producing only 14 percent by 1914, and this declined further to only 9 percent by 1930. Today, Britain is one of the most economically troubled of all industrial capitalist societies. In the 1970s and 1980s, the British picture was not a pretty one (although things improved somewhat in the 1990s). Unemployment reached 10 to 15 percent, domestic industry was in disastrous condition, the working class had become thoroughly demoralized, racial and ethnic strife were rampant, and Britain experienced a significant "brain drain," with many of its intellectuals and scientists leaving for other European countries and for the United States. Severe regional divisions emerged, with southeast England the most prosperous and the old industrial heartland of the north in the worst shape, with massive deindustrialization and unemployment. Things looked so bleak in the 1980s that British sociologist Michael Mann (1988:235) was led to remark that "by the year 2000 it will be as difficult to remember the greatness of Britain as it is now to remember the Empire of Spain."

Britain's main economic competitors were Germany and the United States, but it was the United States that became the next hegemon. The United States started out in the late eighteenth century as essentially two societies under one state. The U.S. North was a semiperipheral society of small farmers and artisans that later began to industrialize around the middle of the nineteenth century. The U.S. South was a peripheral society devoted to plantation agriculture based on slavery. The Civil War was essentially fought over these economic differences—over what type of society was going to control the expansion westward—and, of course, it was northern industrial capitalism that won. By the late nineteenth century, the United States had become a core society, although the South still lagged economically because of its heritage of slavery and corresponding low level of industrialization. From 1870 on, the ascent of the United States in the world-system was dramatic. In 1870, it produced 23 percent of the world's goods, but this had increased to 38 percent by 1914 and to 42 percent by 1930 (Beaud, 1983).

Why did the United States develop so dramatically? There have been many answers. Andre Gunder Frank (1979) calls attention to the unusually privileged position of the North, New England in particular, in the expanding system of mercantile capitalism centered on Britain. The United States was involved in a whole series of *triangular trades*, which were trade networks that linked New England, Britain,

and the Caribbean in a variety of ways. As Frank puts it (1979:61), "This privileged position and role impinged on northern transport; mercantile and financial participation in southern and western export (and import) trade; the North-east's advantageous position in the West India trade, the slave trade and indeed world trade; north-eastern manufacturing development, largely for export; and in the associated capital accumulation and concentration in northern cities."

Graeme Donald Snooks (1997) agrees with Frank that the insertion of the New England colonies into the expanding system of British mercantile capitalism was a crucial factor, but this will only account for U.S. economic development up until about the American Revolution. What about the enormous development of the nineteenth century? Here, Snooks calls attention to the fact that the United States was the world's first *megastate*, a huge continent that was not, as in Europe, divided into a large number of competing nation-states. The United States had a huge amount of land to the west of its original colonies, and this appeared to be crucial to its massive economic development. Westward expansion began soon after American independence from Britain and was governed by a snowball effect (Snooks, 1997:372–373):

Although the great westward movement began as a trickle in the 1780s, it soon reached a flood that grew exponentially. In 1800 there were 400,000 people west of the Appalachians—a considerable achievement in only a generation for a society with a population of just over 2 million at the time of the Revolution—and ten years later this had more than doubled to about one million. So rapid was this westward flow that the proportion of the total population settled in the new western states rose from 3 percent in 1790 to 15 percent in 1810, to 37 percent in 1840, and to 50 percent in 1860. . . .

To accommodate the westward expansion the US government—which, unlike the British government, took a leading role in the new strategy—extended its borders by purchasing Louisiana from Napoleon Bonaparte (who had taken it from the Spanish) in 1803, by acquiring Florida from the Spanish in 1819, by taking Texas and the South-West from Mexico in 1845 and 1848 respectively, by acquiring Oregon Territory in 1846, and by purchasing southern Arizona from Mexico in 1853. But while the territorial basis for the world's first mega-state had been created by the early 1850s, it took a further forty years for the frontier to be closed.

This expansion, of course, required transportation technology, and prior to 1790 this was limited to ocean and river transport. Road building came later, but it could not facilitate more than intraregional trade. The use of steamboats carried things a step further, but according to Snooks it was the development of the railroad after 1850 that created a single market that stretched from the Atlantic to the Pacific. The railroad system was, Snooks argues, absolutely essential to the building of the U.S. megastate (Snooks, 1997:374–376; emphasis added):

Railroad investment played a central role by creating, in response to strategic demand, an integrated mega-market in the second half of the nineteenth century that was to facilitate the unfolding of the American technological strategy—an *unfolding*

that made it possible to achieve world dominance in the twentieth century. As no system of canals and roads could have linked the east and the west across the Rocky Mountains into an integrated mega-market, the American technological strategy would have stalled in the absence of the railroad. In all probability this would have guaranteed the division of the continent into a number of nation-states rather than a single mega-state. These are the real benefits—dynamic benefits—of the railroad system.

With the creation of this megastate and megamarket, the United States was set on a path of massive economic development that was to lead it to a true hegemonic position by the end of the Second World War (but that was to last only until about 1967). The United States became a kind of "world policeman" during this period, which Daniel Chirot (1986) calls the "Pax Americana" ("American peace"). It also became the world's greatest dispenser of foreign aid. Between 1945 and 1966, nearly two-thirds of its foreign aid went to western European countries (mostly to Britain, France, and West Germany) to help them rebuild their economies, which soon became a major source of U.S. investment. Aid to the Third World was given for both **geopolitical** and economic reasons—to South Korea and Taiwan, for example, to help prevent the spread of Communism, and to Latin America to help maintain a favorable climate for American capitalist investment (Chirot, 1986).

By 1967 or perhaps slightly later, the United States had lost its hegemonic position, although it still remained, and remains today, the world's number one economy. Bergesen, Fernandez, and Sahoo (1987) present data showing very graphically the loss of hegemony. Looking at the world's largest 50 capitalist firms, they show that in 1956, 42 of these were located in the United States, but by 1980, only 23 were located there, and by 1998, the number had declined further to 16 (Bergesen and Sonnett, 2001). The U.S. loss was to the benefit of Europe and Japan. Europe went from 8 of the top 50 firms in 1956 to 20 in 1980 and 21 in 1998, and Japan went from none in 1956 to 6 in 1980 and 11 in 1998. Similarly, in 1956, the U.S. firms that were in the world's top 50 produced in 13 different industries, but by 1980, they were producing in only 7. The number of European top 50 firms produced in about 7 industries in both 1956 and 1980; since Japan had no top 50 firms in 1956, it obviously produced in no industries, but its top 50 firms were producing in 3 different industries in 1980. Between 1980 and 1998, things remained essentially the same in terms of the number of industries in which American, European, and Japanese top 50 firms were producing (Bergesen and Sonnett, 2001).

In a more recent study, Bergesen and Sonnett (2001) show that the loss of U.S. hegemony has been associated with the emergence of an essentially tripolar world-economy. In this study they examine *Fortune* magazine's top 500 firms—the global 500. During the period between 1994 and 1998, Europe was the headquarters for 34 percent of the global 500, the United States for 33 percent, and Asia (largely Japan) for 29 percent.

Why do hegemonies always decline? A general theory of hegemonic decline can be stated approximately as follows (Hopkins and Wallerstein, 1982; Wallerstein, 1984; Mann, 1988; Goldfrank, 1983; Szymanski, 1981):

1. A hegemon favors a *free trade policy*, or an open world-economy. It wants unfettered trade because that way it can sell its goods throughout the world at maximum profit. However, this policy provides opportunities to a hegemon's competitors, which can quickly learn the secrets of the hegemon's success and imitate it.
2. Other economic powers—core powers primarily—can *gang up* on the hegemon and try to weaken it, either economically or militarily (or both).
3. There will inevitably arise *internal obstacles* to the maintenance of a hegemonic position. The secrets of the hegemon's success at its particular period of dominance in the world-economy eventually lose their effectiveness as conditions throughout the world change. What works at one time under one set of conditions will not work, or at least not work as well, at other times and under other conditions, and so on. One of these internal obstacles is *declining productive efficiency*. Industrial plants, for example, age and have to be replaced by new ones. Another internal obstacle involves *organizational structure*. Organizational forms that work at one time eventually lose their effectiveness and must give way to new forms.
4. The *high standard of living* created by a hegemon itself leads to inefficiencies for that hegemon. Wage costs, for example, may rise so high that they reduce competitiveness and lead to the export of jobs to other countries, especially Third World countries.

Michael Mann (1988) has applied these general principles to the case of British hegemonic decline. First, Britain's main rivals were Germany and the United States. They raised tariffs and emphasized protection for their goods, and thus Britain's free trade policy was weakened over time. Second, Britain was exhausted through two world wars. Finally, and perhaps most significantly, British hegemony depended on a global militarism and an unusually strong commitment to financial or commercial capitalism. Its commitment to militarism—Britain even today devotes more of its GNP to military spending than any other industrial capitalist society except the United States—was very economically costly, and its commitment to finance capitalism—using money to make money through banking, the stock market, and so on, rather than producing goods—led it to neglect industry (relatively speaking) and to fail to protect its domestic industry from foreign competition. It may seem odd that Britain was so committed to finance capitalism, given that it was the center of the Industrial Revolution, but it was in fact so. Even today, British wealth and investment is concentrated in the City of London (the name given to British financial and commercial capitalism)—government stocks, foreign exchange and money markets, the financing of trade, and banking. As Mann points out, the historical dominance of these forms of investment has left little capital for investment in British industry. He summarizes the situation thusly (1988:229):

When German and American competition hit hard, from the 1880s, the response came from an essentially commercial political economy. Industry hit back through

its own resources, largely unaided by government. Mergers, at first cooperative, then often contested, attempted to find investment funds through concentration. Though British firms became proportionately the biggest in the world, this was not a very efficient route to greater productivity, as we saw. But industry's efforts were further harmed by government economic policy, dominated by commercial reasoning and actually implemented by the City/Treasury/Bank of England nexus. Industry has been left unprotected from either foreign competition or the vagaries of international currency movements. . . . Commerce prospers while industry decays.

The loss of hegemony by the United States has not been nearly as precipitous as the British decline. It has been slower and more gradual, and any further economic decline is also likely to be gradual. Some 40 years after its loss of hegemony, the United States is in much better shape than Britain was 40 years after its loss.

What were some of the factors that led to the loss of U.S. hegemony? One was aging technological infrastructure. Industrial plants got older and had to be replaced, and this was very costly. The United States was a world leader in steel production, for example, and by the 1970s the steel mills in Pittsburgh and elsewhere had become decrepit. Japan and Brazil were able to construct new mills and thus pick up the U.S. slack in steel production. Much the same can be said for automobile production. Also, the U.S. standard of living was extremely high, with wages very high. Wage costs rose to such a high level that they reduced U.S. competitiveness in the world market, which led to massive deindustrialization, especially in the old highly industrialized Northeast, where unions were strongest and wages highest (Bluestone and Harrison, 1982).

Cities such as Pittsburgh, Buffalo, Cleveland, and Baltimore saw thousands of their jobs exported to the Sun Belt in North Carolina and Texas, where unions were fewer in number and wages were lower; but even more of these jobs were exported to the much more low-wage Third World (Fröbel, Heinrichs, and Kreye, 1980). The case of Pittsburgh is very instructive. Highly specialized for steel production and other forms of heavy industry, Pittsburgh began losing jobs in the 1960s and the pace picked up in the 1970s and 1980s. Its population was nearly 700,000 in 1960, but by 2000, the population had declined to only about 320,000—less than half of what it was. Pittsburgh is still a major center for corporate capital, but many of the jobs have gone elsewhere. The United States has also suffered a decline in organizational efficiency. Its leading competitors, Germany and Japan, had shifted to new organizational forms that integrate large companies with state planning and banking agencies, but the United States resisted adopting these forms (Goldfrank, 1983).

In the 1980s and early 1990s, there was a great deal of speculation about whether Japan would become the next hegemon in the world-economy. In the United States, there developed a disdain for, and fear of, Japanese economic power, and "Japan bashing" abounded. However, with the onset of economic difficulties in Japan in the 1990s these fears seem to have abated and there is now little discussion of the Japanese threat. Can Japan achieve hegemonic status? Probably not. The U.S. share of world industrial production was still as high as 28 percent in 1984, over 15

years after its fall from grace, but in the same year Japan's share of world production was only 8 percent (Abu-Lughod, 1991). Japan's share of world industrial production increased to 21 percent by 1995 (World Bank, 1997), but then slipped to 14 percent in 2000 (World Bank, 2003). During their peak hegemonic years, Britain and the United States were producing on the order of 50 percent of the world's goods. Japan is obviously a far cry from this. Moreover, a hegemon requires a powerful military, and this Japan does not have. Although Japan should remain one of the world's leading economic powers for decades to come, it has little chance of becoming hegemonic; its neighbor, China, being a much larger society with a very powerful military, has a much better chance within the next half-century, its highly inferior economic position at the present time notwithstanding.

In his brilliant book *The Long Twentieth Century* (1994), Giovanni Arrighi has added a very interesting twist to the notion of hegemonic cycles of rise and fall. He argues that intertwined with the emergence of hegemons is a long economic cycle that he calls a **systemic cycle of accumulation** (SCA). The basic idea is this: Hegemons are initially associated with economic dominance in the areas of production and commerce, but over time these economic arenas become less and less profitable. The hegemon thus turns toward emphasizing the *financial* dimension of capitalism as a way of earning greater profits. Arrighi identifies four SCAs throughout the history of modern capitalism (note that each SCA lasts a shorter period of time than its predecessor):

1. SCA-1: *Genoa*—1450–1630 (180 years)  
Production/commerce phase—1450–1560 (110 years)  
Finance phase—1560–1630 (70 years)
2. SCA-2: *Holland*—1630–1785 (155 years)  
Production/commerce phase—1630–1740 (110 years)  
Finance phase—1740–1785 (45 years)
3. SCA-3: *Britain*—1785–1930 (145 years)  
Production/commerce phase—1785–1865 (80 years)  
Finance phase—1865–1930 (65 years)
4. SCA-4: *United States*—1930–present (75 years so far)  
Production/commerce phase—1930–1970 (40 years)  
Finance phase—1970–present (35 years so far)

This formulation differs from Wallerstein's concept of hegemony in certain ways, but it is not altogether incompatible with it. The interesting thing about Arrighi's formulation is that it seems to apply so well to the contemporary United States. There has been much hand wringing since the early 1980s about how the United States has been concentrating on using money to make money without producing enough real goods. Many scholars and laypersons have been critical of this strategy, but what Arrighi shows is that this is the normal pattern for hegemons: Once production and commerce reach certain limits, the turn to finance capitalism

seems inevitable. Of course, the turn to finance also signals a hegemonic decline and the eventual transition to a new hegemon.

## FOR FURTHER READING

Volume 3 of Wallerstein's *The Modern World-System* (1989) continues his discussion of the evolution of the capitalist world-economy through the early phases of industrialization. Daniel Chirot's *Social Change in the Modern Era* (1986) is a very good treatment of many of the social, economic, and political changes in capitalism since the early nineteenth century, and especially since 1900. Beaud (1983) contains some very informative material on the emergence and development of industrial capitalism. See also Davis and Scase (1985). Eric Hobsbawm's *Industry and Empire* (1968) is an older but still valuable work on the Industrial Revolution in England and the development of the English economy since that time. A very good recent work on the Industrial Revolution is Stearns (1993). Yoshihara (1986) discusses the development of industrial capitalism in Japan, and Hane (1992) is a very good source on modern Japan.

See Wallerstein (1984) on the three instances of hegemony in the history of the world-economy. Israel (1989) is an especially good source on Holland; see also Schama (1997). On the reasons for hegemonic decline, see Hopkins and Wallerstein (1982), Wallerstein (1984), Mann (1988), Goldfrank (1983), and Szymanski (1981). Mann (1988) is especially informative on the reasons for Britain's decline, as are Frank (1979) and Snooks (1997) on the reasons for the rise of the United States in the eighteenth and nineteenth centuries. Bergesen, Fernandez, and Sahoo (1987) nicely document the loss of the hegemonic position of the United States, and a recent article by Bergesen and Sonnett (2001) provides an update. Abu-Lughod (1991) has some interesting comments on why Japan will not likely gain a hegemonic position. Bluestone and Harrison (1982) analyze U.S. deindustrialization up close through a discussion of plant closings and the abandonment of entire communities. Fröbel, Heinrichs, and Kreye (1980) argue for the emergence of a "new international division of labor" in the 1960s and 1970s, which involved the shift of capital from the core to the semiperiphery and periphery and the creation of "free production zones," or special zones of a Third World country where wages are very low, working conditions poor, and the rights of workers virtually nonexistent. They are able to show how hegemonic decline, deindustrialization, and "reindustrialization" in less-developed countries are part of the same package.

Giovanni Arrighi's *The Long Twentieth Century* (1994) is a demanding but extremely important book on the history of hegemonic rise and fall and shifting capitalist economic strategies. It is a must for serious students of this subject. A related work is Arrighi and Beverly Silver's *Chaos and Governance in the Modern World System* (1999). This book focuses especially on the loss of U.S. hegemony and the shift of the center of the world-economy from North America to East Asia.

In addition to talking about cycles of hegemonic rise and fall, Wallerstein and his colleagues and followers have identified another type of cyclical dynamic in the world-system. This is the *Kondratieff wave*, or *K-wave*, which is based on the work of the Russian economist Nikolai Kondratieff (1984; orig. 1928). Kondratieff was imprisoned by the Soviets for this idea, which was considered "un-Marxist." A K-wave is an economic cycle lasting about 40 to 60 years. It consists of a period of economic boom lasting about 20 to 30 years, which is then followed by a downturn lasting another 20 to 30 years. Kondratieff himself, as well as the great economist Joseph Schumpeter (1947), thought that K-waves extended back to about

1800, but the contemporary political scientist Joshua Goldstein (1988) claims to have detected them all the way back to 1495. Goldstein identifies 10 K-waves up to the present time. According to this thinking, the world entered a downturn around 1970, which we are still in, although we should be pulling out of it very soon. Whether K-waves are truly genuine is much debated.

Political scientists tend to argue that Wallerstein's model of the world-system is too economic, and they suggest a more political model. In this regard, see Rasler and Thompson (1994) and Modelski and Thompson (1996).

## CHAPTER

# 7

## Industrial Capitalist Societies

This chapter continues the discussion of capitalism by looking at modern industrial capitalist societies. In particular, it explores several evolutionary transformations closely associated with the rise and expansion of industrial capitalism: the emergence of industrial stratification systems and welfare states, the rise of parliamentary democratic forms of government, the emergence of mass education, and the reduction in the size of families. The chapter concludes by asking whether industrial capitalist societies have made a transition to so-called postindustrial societies.

### Stratification in Industrial Capitalist Societies

As discussed in an earlier chapter, the movement of societies from the hunter-gatherer to the agrarian stage is closely associated with the development of increasingly complex and extreme forms of stratification. However, as Gerhard Lenski (1966) shows, with the passage from agrarian to industrial societies, a reversal of this trend seems to have occurred. In industrial societies the dominant economic class claims a smaller share of national income and wealth, and there has been a diffusion of income throughout the population to an extent unimaginable to the average members of agrarian societies.

Nonetheless, the inequalities of contemporary industrial societies are significant enough to permit analysis on their own terms, not just in terms of a broad comparison with the past (Rossides, 1976). What are these inequalities like?

### Income Inequalities

Data collected under the auspices of the U.S. government (U.S. Bureau of the Census, 1984) show that, for 1982, the highest-paid 5 percent of Americans received 16.0 percent of the total national income. When the data are divided into income quintiles (fifths) of the population, they show the following: The top income quintile received 42.7 percent of the total national income, the next quintile 24.3 percent, the middle quintile 17.1 percent, the next-to-lowest quintile 11.2 percent, and the bottom quintile a mere 4.7 percent of the total. Between this time and 1995, income inequality increased modestly (Kingston, 2000). The top 5 percent of the income distribution increased its share of income to 20 percent. In terms of income quintiles, the top

quintile took 46.5 percent of the total income, the second quintile 23.2 percent, the third quintile 15.8 percent, the fourth quintile 10.1 percent, and the bottom quintile 4.4 percent.

The simplest way of measuring income inequality is through use of the Gini coefficient. This is a number varying from 0 to 1.0, with 0 indicating that everyone has exactly the same income and 1.0 indicating that one household has all of the income. Different Gini coefficients are reported for the United States for recent decades, but these usually average in the range of .40 to .45, indicating that income inequality is moderate to high. The United States has the greatest degree of income inequality for all advanced capitalist societies. Some other reported Gini coefficients (for the year 1999) are .368 for the United Kingdom, .352 for Australia, .327 for France, .300 for Germany, .273 for Italy, .250 for Sweden, .249 for Japan, and .247 for Denmark (World Bank, 2003).

These data, however, do not fully reveal the actual extent of income disparities. A more adequate picture of overall income distribution is obtained when income deciles (tenths), rather than quintiles, are used in the analysis. Gabriel Kolko (1962) has calculated the distribution of income in the United States from 1910 to 1959 using income deciles. The data he presents reveal a highly unequal distribution of income that did not change in any major way during this entire period. For example, in 1910 the top income decile received 33.9 percent of the total income, while the bottom decile received only 3.4 percent of the total. By 1959 the income share going to the top tenth had declined slightly, to 28.9 percent, but so had the share going to the bottom tenth, to 1.1 percent. The bottom 50 percent of the population received only 27 percent of the national personal income in 1910, and by 1959 the share of this poorer half had even declined slightly, to 23 percent. Thus, for both 1910 and 1959 the top 10 percent of the population received a greater total income than the bottom 50 percent. Throughout the entire period the only income groups to experience significant increases in income shares were the second- and third-richest income deciles, which experienced modest increases. As hardly needs saying, these groups were not among those in serious need of a greater share of the national income (Kolko, 1962). Some 40 years after Kolko did his research, we find that the income distribution has not changed all that much. In 1999 the top income decile received 30.5 percent of the total income, whereas the bottom decile received 1.8 percent (World Bank, 2003).

These data support two major conclusions: There are vast inequalities in the distribution of income in the United States, and this pattern of unequal distribution showed no significant trend toward greater equalization throughout the twentieth century. In fact, during the 1990s, income inequality actually increased somewhat. Although there have been major increases in the standard of living for a large part of the American population during the twentieth century, such increases should not be confused, as they often are, with any trend toward income equalization.

It is likely, however, that even these figures understate the real extent of income inequality in U.S. society, for there are forms of income that go unreflected in the figures. Many persons receive considerable amounts of *income in kind* rather than in direct cash payments, and such income is quite disproportionately concentrated

among the already wealthy. Income in kind is especially prominent among the top income tenth, and especially among the top 5 percent (Kolko, 1962). It takes the form of expense accounts and many other types of executive benefits, and such benefits have long been an acknowledged form of the remuneration of many corporate executives (Kolko, 1962). Large-scale and often unlimited expense accounts have for many years been commonly extended to persons employed in or near the upper reaches of the corporate world. The top corporate elite also commonly receive such material benefits as a company car, a gas credit card, country club memberships, and even such luxuries as the use of yachts and private planes and company-paid jaunts to private retreats and exotic watering places (Kolko, 1962). Although all these benefits do not count as forms of reportable personal income, they constitute just as real forms of material privilege nonetheless.

The existing income distribution figures also fail to reflect income that goes unreported and dividend income from stock ownership that remains undisbursed to stock owners. Kolko believes that this unreported income, mainly in the form of dividends, interest, and so on, is largely confined to persons in the upper-income brackets. Not reporting such income is, of course, illegal, but it is apparently a widespread practice nevertheless. Were such income to be included in the income distribution figures, the pattern of income inequality would be even more extreme than it already is. In addition to such practices, there are legal ways in which actual income can go unreported. As Kolko notes, corporations often vote to retain dividend earnings on stock so that their wealthy, stock-owning directors will not be personally liable to pay taxes on the dividend income. The upshot of this practice is that "the corporations represent vast income reserves for the economic elite" (Kolko, 1962:23).

It is widely believed that taxation, through the allegedly "progressive" income tax, has served to reduce income inequalities and bring about a redistribution of income from wealthier to poorer individuals. This belief, however, is largely unjustified. Available studies show that taxation produces no notable equalization of income (Rossides, 1976). Actual rates of taxation of the U.S. public indicate a huge gap between theory and practice in the tax structure. Although the federal income tax is, in principle, progressive, the rich have built so many loopholes and safeguards into the tax laws that they are able to avoid any major redistribution of their huge incomes. Indeed, the rich have become so skilled at tax avoidance that they have placed the actual burden of taxation onto the shoulders of low- and middle-income groups (Kolko, 1962).

Britain displays similar inequalities in the distribution of income and wealth. Estimates show that in 1979 the top income tenth in the United Kingdom commanded 26.1 percent of the total income, while the bottom 30 percent received only 10.4 percent (Atkinson, 1983:63). This pattern changed little since 1954, when the top income tenth received 30.1 percent of the income and the bottom 30 percent received 10.3 percent (Atkinson, 1983:63). These are pretax figures, but calculations show that, for the United Kingdom just as for the United States, taxation has affected the income distribution only slightly (Atkinson, 1983:63). More recent data for Britain, available only for income quintiles, show that in 1991 the top quintile received 41 percent of the total income, the second quintile 23 percent, the third quintile 16

percent, the fourth quintile 12 percent, and the bottom quintile 8 percent (Deiningner and Squire, 1996).

Yet, caution is called for in the interpretation of all these data. Despite the vast income inequalities in the United States and other advanced capitalist societies, the extent of social mobility (discussed later) in all of these countries shows that the richest and the poorest individuals are in many cases not the same people from one time period to another. Paul Kingston (2000:84) shows that in the short space of the seven years between 1971 and 1978 there was a striking movement of people between income quintiles: "More than half . . . of the top quintile in 1971 fell from this level by 1978, and more than a fifth had moved to the lower three quintiles. . . . Indeed, across the entire range of income levels, mobility was a common occurrence. Overall 60 percent moved to a different income quintile, and almost a quarter moved at least two quintiles." Thus, although the gap between the rich and the poor is vast, not all of the rich remain rich nor do all of the poor remain poor. Many of those in the bottom quintiles improve their income situation over time, and many of those in the top quintiles suffer appreciable income declines. This takes some of the edge off income inequality under modern capitalism.

### Wealth Inequalities

The distribution of total wealth (total assets minus liabilities) in the United States reveals much greater extremes than the distribution of income. Indeed, wealth is enormously concentrated at the top. Data collected by the federal government (Office of Management and the Budget, 1973) show the following pattern of distribution for 1962: The wealthiest quintile of the population owned 76 percent of the total wealth, the next quintile 15.5 percent, the middle quintile 6.2 percent, the next-to-poorest quintile only 2.1 percent, and the poorest fifth a minuscule 0.2 percent. Such figures reveal an enormous concentration of property, demonstrating that the wealthiest 20 percent of the population possesses more than three times the total wealth held by the remaining 80 percent.

Additional data on the concentration of wealth show essentially the same pattern. In 1972, the top 1 percent of the population held 56.5 percent of the total corporate stock, 60 percent of all bonds, and 89.9 percent of all trusts (U.S. Bureau of the Census, 1982). Closer scrutiny reveals that most of these assets are actually concentrated within the top 0.5 percent of the population. For the same year, the top 0.5 percent owned 49.3 percent of the corporate stock, 52.2 percent of the bonds, and 80.8 percent of the trusts (U.S. Bureau of the Census, 1982). It is true that in recent years there has been a large increase in the number of Americans who are stock-owners, but stock ownership is still extremely unequal. In 1989, 46 percent of stock was owned by the "super rich," another 43 percent by the "rich," and the remainder of the population owned only about 11 percent of total stock (Wolff, 1995).

The most recent extensive research on wealth inequality in the United States has been carried out by Lisa Keister (2000a, 2004; Keister and Moller, 2000). Her research shows that the top wealth quintile owned nearly 85 percent of total wealth as of the early 1990s. However, this ownership was heavily concentrated within the

upper segment of the top quintile, as the top 1 percent of wealth owners possessed almost 40 percent of total wealth and almost 50 percent of financial assets. In 1989, the Gini coefficient for wealth inequality was an extremely large .89, and in the late 1990s, the Gini coefficient for financial wealth was a huge .94 (Keister and Moller, 2000; Keister, 2004).

Keister's research also focuses on changes in wealth inequality between 1962 and the 1990s. There is a clear trend toward greater inequality in wealth. In 1962, the top 1 percent of wealth owners possessed 33.5 percent of the total wealth, but that had increased to 38.5 percent by 1995. The percentage of the U.S. population owning no wealth increased from 11 to 19 percent during the same period, and the Gini coefficient increased from .80 to .87. For a long period, the United States had less wealth inequality than several European countries, but during the 1990s, the United States gained the dubious distinction of being number one in wealth inequality.

Who are the wealthy and what do they own? In 1962, the average wealth of the top 1 percent of the wealth distribution was \$3.2 million, and this had more than doubled in constant (inflation-adjusted) dollars, to \$6.7 million, by 1995. This compares to a total wealth of only about \$31,000 for the average household in 1962, a figure that had risen to \$41,000 in constant dollars by 1995. In 1995, the extremely wealthy held about two-thirds of their wealth in business assets and stocks and bonds, whereas the largest item of wealth for the average household is their primary residence (amounting to about 30 percent of their wealth in 1995) (Keister, 2000a).

Keister argues that the stratified nature of U.S. society becomes more evident when wealth inequality is added to income inequality. Somewhat surprisingly, wealth inequality and income inequality are rather weakly correlated. Keister believes that wealth inequality is a truer measure of the real extent of economic inequality. As she puts it (2000a:9):

When wealth (rather than income) is used as an indicator of family economic well-being, a different picture of advantage and disadvantage emerges; this suggests that our understanding of social inequality and social mobility has been limited by our nearly total focus on income. Moreover, because of the financial security and other advantages associated with wealth ownership, the control of wealth has been an important determinant of well-being throughout history, and the truly advantaged are still signaled by high net worth.

Keister goes on to remark that income is really a measure of short-term economic security, whereas wealth involves more permanent and long-run security. Since income and wealth inequality are weakly correlated, and since wealth inequality is substantially greater than income inequality, Keister argues that the United States is actually a more unequal society than it is usually considered to be, even by sociologists. Keister also presents evidence showing that wealth mobility is much more limited than mobility from one occupational and income group to another; this suggests to her not only a highly unequal society but also a very rigidly stratified one.

Regarding the distribution of wealth in Britain, Westergaard and Resler (1975) show that, in 1954, the richest 5 percent of the population owned 48 percent of all

cash and bank deposits, 71 percent of all government and municipal securities, and 96 percent of corporate stock. More recent data for all wealth categories show that the richest 5 percent possessed 45 percent of the wealth in 1979 (Atkinson, 1983:161). Although the distribution of wealth is somewhat less unequal now than it once was (Atkinson, 1983:168), the concentration of wealth is still enormous. Britain remains, like the United States and all modern capitalist societies, a society permeated by deep economic inequalities (Westergaard and Resler, 1975). Unfortunately, we have yet to see research on wealth inequality in Britain that is comparable to Keister's research on the United States. However, if Keister is right about the greater importance of wealth inequality relative to income inequality in the United States, the same should be true of Britain and other advanced capitalist societies.

### The Class Structure of Industrial Capitalist Societies

There is no single way of conceptualizing the class structure of industrial capitalist societies. Daniel Rossides's (1990) analysis of the class structure of contemporary U.S. society is probably as good as any. Rossides identifies five major social classes in the contemporary United States: the upper class, the upper-middle class, the lower-middle class, the working class, and the lower class.

The upper class, no more than 1 or 2 percent of the population, consists of those families possessing great wealth and power, much of which is derived from inheritance. The members of this class occupy the key positions in corporations, banks, insurance companies, and so on. They enjoy very high prestige and are often strongly oriented toward the consumption of elite symbolic culture (e.g., fine art and music). In short, this class is an extraordinarily privileged, powerful, and prestigious segment of the nation's social structure. In Marxian language, this is the capitalist class.

The upper-middle class is composed primarily of successful business managers, members of the learned professions (e.g., law, medicine, architecture), and well-placed civil and military officials. Totalling approximately 10 percent of the population, its members generally earn high incomes and accumulate substantial wealth through savings and investment, and they typically enjoy high social prestige. The lower-middle class, consisting of approximately 30 percent of the population, mainly includes small businessmen, lower-level professionals (e.g., public school teachers, social workers, nurses), and sales and clerical workers. Most persons in this class receive moderate incomes and have but small amounts of savings and other personal wealth. Only fairly modest levels of prestige are accorded the members of this class.

The working class in U.S. society comprises roughly 40 percent of the population. The members of this class are employed as skilled, semiskilled, or unskilled manual and service workers. The class as a whole is subject to fairly high rates of unemployment, and its members frequently suffer under the burdens of no savings or investments and low social prestige. The incomes received by persons in this class are relatively low, on average, when compared to the incomes received by members of higher classes. The lower class, roughly 15 percent of the U.S. population, consists

of those persons who may be regarded as living under conditions of poverty. Included in this class are "the chronically unemployed, underemployed, and underpaid, abandoned mothers, and the poor who are sick, disabled, or old" (Rossides, 1976:28). The members of this class suffer from greater or lesser degrees of acute economic distress, and have extremely low social prestige.

In Rossides's conceptualization, it is *occupation* that is the centerpoint for the identification of a person's class position, and most other class schemes developed by sociologists have also used occupation as the basis for the identification of classes (cf. Giddens, 1973; Goldthorpe, 1980; Gilbert and Kahl, 1993; Kingston, 2000). However, sociologist Erik Olin Wright (1985) has tried to map the class structure from a Marxian perspective. He uses three criteria for identifying a social class: *ownership or nonownership* of the means of production, possession of *credential assets*, and possession of *organizational assets*. This yields the following classes:

#### *Owning Classes*

- Capitalists (owners of the means of production who employ 10 or more workers and who earn their incomes through the exploitation of workers)
- Small employers (owners who earn their incomes through the exploitation of workers but who employ fewer than 10 workers)
- Petty bourgeoisie (owners of small businesses who employ no workers)

#### *Nonowning Classes*

- Expert managers (nonowners who have high educational credentials and high organizational authority)
- Expert supervisors (nonowners who have high educational credentials and moderate organizational authority)
- Expert nonmanagers (nonowners who have high educational credentials and no organizational authority)
- Semicredentialed managers (nonowners who have moderate educational credentials and high organizational authority)
- Semicredentialed supervisors (nonowners who have moderate educational credentials and moderate organizational authority)
- Semicredentialed workers (nonowners who have moderate educational credentials and no organizational authority)
- Uncredentialed managers (nonowners who have low educational credentials and high organizational authority)
- Uncredentialed supervisors (nonowners who have low educational credentials and moderate organizational authority)
- Proletarians (nonowning workers who possess no credential or authority assets)

Wright's scheme is a commendable effort to conceptualize class in terms of the possession of certain kinds of valuable resources, but it suffers from two serious flaws. One is that, in identifying 12 classes, it is somewhat unwieldy. Some of the classes are very small, comprising only about 2 or 3 percent of the population. The



*Wealthy capitalist Vincent Astor on board the S.S. Mauretania, 1922.*

other problem, potentially more serious, is that Wright insists on seeing class as resting on some type of *exploitative* relationship. Classes are viewed as either exploiting other classes, as being exploited by other classes, or as being both exploited and an exploiter. There is a certain logic to this, at least in a technical Marxian sense, when one is dealing with capitalists, small employers, and proletarians, but it makes little sense to think of credentialed managers and supervisors as exploiting those classes that have fewer credential or organizational assets. Such groups are merely capitalizing on valuable resources to advance their own situation and are not intent on disadvantaging (and do not need to disadvantage) other groups in order to do so.

### **Social Mobility within Modern Capitalism**

A belief widespread among the members of modern capitalist societies is that one's class position need not be fixed at birth. It is thought that all individuals have good opportunities for moving up to a higher class—that is, for upward **social mobility**.

This idea has taken a particularly strong hold in the United States, where it tends to dominate thinking about the nature of stratification. Most Americans believe that the country's class system is highly "open," permitting a high degree of upward movement for persons who have the necessary motivation to get ahead. To what extent is this belief in the opportunity structure of modern capitalism justified?

When sociologists study mobility they distinguish between *intergenerational* and *intragenerational mobility*. **Intergenerational mobility** is movement up or down relative to the class position one was born into—that is, the class position of one's parents. If a woman is a lawyer and her father was a salesperson or ran his own business, then she has been intergenerationally upwardly mobile. But if a man's father was a salesperson and he himself is a semiskilled worker, then he has been downwardly intergenerationally mobile. **Intragenerational mobility** means movement from one's first job to the job one holds, say, in mid-career. Thus, if a man's first job was as a clerk in a company's mailroom but 20 years later he has become a leading manager in the same company, then he has been upwardly mobile in an intragenerational sense. Most studies of mobility are of intergenerational mobility.

Paul Kingston (2000) has summarized the results of a number of major studies of mobility in the United States, especially those of Blau and Duncan (1967), Featherman and Hauser (1978), and Erikson and Goldthorpe (1993). He shows that mobility is a pervasive feature of U.S. society. For example, in looking at the composition of the upper-middle class in 1973, Kingston shows that only 29 percent of its members were themselves upper-middle class in origin. The remaining 71 percent of the members of this class came from the lower-middle class (17 percent), the working class (42 percent), or the farming population (12 percent). Similarly, only 16 percent of the lower-middle class had themselves been born into that class. Fifteen percent came from the upper-middle class, 52 percent from the working class, and 18 percent from the farming population.

These findings concern what are called **mobility inflows**—the extent to which a social class is composed of people whose origins were in other social classes. We also need to look at **mobility outflows**—the extent to which people born into one social class end up in another. In the United States in 1973, we find, for example, that 59 percent of individuals whose origins were upper-middle class remained in that class, whereas the remainder were downwardly mobile into other classes. Of the lower-middle class, only 17 percent remained there. Forty-five percent moved up into the upper-middle class, and 38 percent moved down into the working class or the farming population. Similar patterns are found for the working class: Most people who start out in it end up elsewhere, with fully 27 percent moving all the way into the upper-middle class. Kingston shows that, overall, more than two-thirds of individuals end up in a social class that they did not start out in, with 51 percent being upwardly mobile and 17 percent moving down. This indicates a very high level of mobility indeed, a good deal of it being over moderate to long distances. Moreover, similarly high rates of mobility are found if we use other class schemes, such as Wright's Marxian scheme.

It is sometimes argued that the United States is unusual in its high mobility rates, but an examination of other industrial capitalist societies shows that this is not

true. Mobility rates are very similar across all of these societies. Total mobility out-flow rates range from a low of 62 percent in West Germany, to a high of 73 percent in Sweden, Japan, and the United States (Erikson and Goldthorpe, 1993; Kingston, 2000), with the average being 69 percent. Even less-industrialized Ireland and Northern Ireland, as well as state socialist Hungary and Poland, have comparable rates.

Why is there so much mobility in industrial capitalist societies? The answer has little to do with an ideology of opportunity, as is so emphasized by Americans, and mostly to do with changes in the occupational structure that are induced by constant technological advancement. Throughout the twentieth century all industrial capitalist societies have, for example, greatly expanded the number of white-collar jobs available. Many of these jobs could be filled only by recruiting persons from lower social classes—manual workers and farmers. As Paul Kingston (2000:63) argues,

Technological change, not some democratically opening up of the system, was the prime instigator of social mobility.

... Americans can't congratulate themselves on creating much opportunity beyond what was systematically demanded by economic transformation. Were it not for the unintended consequences of technological change, social mobility—the sine qua non of opportunity—would be much lower than the actual rates that we experienced.

Most studies of mobility, especially the best-known ones, have considered only men for the simple reason that most full-time workers were men when these studies were conducted. Now that women are much more prominently represented in the full-time occupational structure, studies of mobility among women are beginning to be conducted. These show that mobility among women is just as common as mobility among men. However, more complexity is now introduced into the study of mobility patterns because husbands and wives often perform different kinds of work and thus, in essence, belong to different social classes. This makes it more difficult to identify the class origins of the sons and daughters of such couples, and thus more difficult to identify the extent of their mobility or even whether or not they are mobile. It is hoped that in time this new problem will be ironed out.

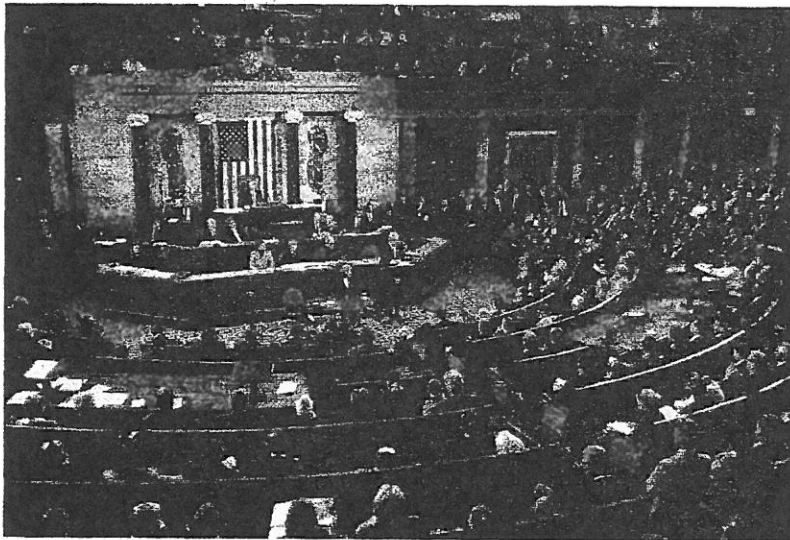
## The Origins of Parliamentary Democracy

Where one finds highly developed capitalist societies, one finds **parliamentary democracy** as the dominant form of political life. In fact, there is no real exception to this generalization. But what is meant by the term *democratic*? In its literal sense, democracy means "government by and for the people." This meaning implies the absence of a ruling elite that makes governmental decisions independently of the wishes of the populace as a whole. But it would be a distortion to restrict the concept to this literal meaning, since it is doubtful that any such form of government exists anywhere in the world above the tribal level of society. Rather, borrowing from Rueschemeyer, Stephens, and Stephens (1992), democracy shall be conceived as a system of government having the following four characteristics:

1. The existence of a parliamentary or congressional body having a power base separate from that of presidents or prime ministers
2. The regular, free, and fair election of government officials to office by means of universal suffrage (i.e., the entire adult population maintains the right to vote)
3. Responsibility of the remaining segments of government to the parliament or congress
4. The granting of individual rights and freedoms to the mass of the population and the general honoring of these liberties

A distinction should be drawn between *formal* and *substantive democracy*, as well as between *restricted* and *unrestricted democracy* (Rueschemeyer, Stephens, and Stephens, 1992). A **formal democracy** is a government that has officially declared itself to be a democracy, but whose actions are in fact inconsistent with its declarations. Formal democracies are governments that lack genuine democratic behavior and that are democratic in name only. Elections are held, but they are neither fair nor free, and political rights may be acknowledged in principle but are largely ignored in practice. Throughout the Third World today are many countries that fall into this category. **Substantive democracies**, on the other hand, are genuine democracies—those that are democratic in both name and deed.

A **restricted democracy** is one in which the four principles just mentioned prevail, but in which there is some restriction or limitation placed on them. For example, individual rights and freedoms may be limited in various ways, or the right to vote may be restricted to certain segments of the population by such criteria as property ownership, sex, or race. All of today's societies with full substantive democracy—**unrestricted democracies**—began as restricted democracies, and most of these have



*Session of the United States Congress. All modern democratic societies have legislative bodies whose members are brought to office through free, popular elections.*

had unrestricted democracy for only a surprisingly short length of time (not until 1920 or even later). For example, in the United States voting rights were originally extended only to free, white, adult men who owned property, and it was many years before blacks and women gained voting privileges. And in the early days of suffrage in Britain, property owners and other men of privilege were allowed two votes instead of one.

In the formation of modern parliamentary democracies, the parliamentary aspect emerged first and suffrage followed considerably later. It was not until the middle of the nineteenth century that universal (male) suffrage began to be established in governments that were already parliamentary in nature, and true universal suffrage—suffrage for both men and women—did not emerge until after about 1920. The first four governments to grant full voting rights to at least the male segment of the population were Switzerland (1848), France (1877), Norway (1898), and Denmark (1915). These four were followed fairly rapidly by four more: Sweden, Belgium, the Netherlands, and Great Britain. The earliest democracies to develop outside western Europe emerged in the United States, Canada, Australia, and New Zealand. All of these societies were settler colonies that originally hived off from Great Britain. There were several other European countries that made the transition to democracy but that were able to maintain democratic institutions only for a brief period: Austria-Hungary, Spain, Italy, and Germany. All four have since regained democratic institutions, but it is clear that their paths to democracy were strewn with severe obstacles (Rueschemeyer, Stephens, and Stephens, 1992).

How does one explain the evolution of parliamentary democratic modes of government? It will not escape attention that democracy has evolved in the West, and especially in connection with the development of modern capitalism. Indeed, every core capitalist society in the world today is, without exception, characterized by a genuinely democratic political system. Such a striking correlation cannot possibly have occurred by accident, and a causal connection is undoubtedly present. But what kind of connection? There is a Marxian explanation, which goes something like this: The form of government is a result of the form of economy and the social class that dominates the economy. Capitalist societies are dominated by a bourgeoisie, and parliamentary democracy is the form of government best suited to advancing the economic interests of the bourgeoisie. This is because parliamentary democracy gives capitalists the maximum economic freedom to maneuver, both locally and globally, in their search for profits. It interferes minimally with what capitalists want to do. Monarchy suited feudalism and early capitalism, but with the advance of capitalism the restrictions of monarchy were too great, and so it had to be destroyed and replaced by the form of government that we see in capitalist societies today.

This line of argument has been advanced by such scholars as Barrington Moore (1966) and Albert Szymanski (1978). Moore argues that the English-Civil War of the 1640s marked parliament's gaining the upper hand in government (over the king) because of the rise to dominance of capitalist farmers in England. Parliamentary democracy became dominant because parliament represented the economic interests of capitalists. Szymanski makes essentially the same argument, contending that as capitalists became the dominant economic class, they established parliamentary forms of government because "these forms are best suited to articulate the diverse

interests within this class and work out a common class will" (1978:147). A crucial consideration for capitalists is that they have freedom of economic maneuver, and a parliamentary form of government is the one best designed to protect this freedom. As Szymanski (1978:150) puts it, "Businesses must have assurances from the state that it will not arbitrarily interfere with the system of contracts and expectations. The best guarantee of moderation and lack of arbitrariness on the part of the state is the parliamentary form."

The Marxian argument does seem to be correct for the parliamentary dimension of democracy, but it does not hold up for that dimension of democracy that many regard as the most important—universal suffrage. This has been shown in an excellent study by Dietrich Rueschemeyer, Evelyne Huber Stephens, and John D. Stephens, *Capitalist Development and Democracy* (1992). In a detailed comparative and historical analysis, these authors have shown that in most cases, capitalists have been hostile to the political inclusion of the masses, largely because they fear the power that workers might acquire through the vote. There are almost no instances, they claim, in which the bourgeoisie has favored the development of genuine democracy in Western capitalist societies. Then why is there such a striking association between capitalism and democracy? Rueschemeyer, Stephens, and Stephens's answer is that capitalism has created large working classes that have organized themselves and pressed hard for citizenship rights, especially the right to vote. The authors show that democracy developed earliest and most fully in those capitalist societies that were in the forefront of industrial capitalist development and thus had the largest and best-organized working classes.

Democracy was most greatly resisted, on the other hand, in those societies where industrial capitalist development was retarded. In these societies, industrialization was slower and as a result the working classes remained small and politically anemic. Moreover, such societies were ones in which the landlord class still held considerable economic and political power, and this class is virtually always extremely hostile to democracy. Landlords are engaged in the exploitation of peasants through their direct submission and political subordination—what Rueschemeyer, Stephens, and Stephens call **labor-repressive agriculture**—and as long as landlords remain important in the economy democracy can advance but little. The authors point to Austria-Hungary, Spain, Italy, and Germany as the four western European societies in which democracy emerged late and with great difficulty, and indeed all four societies are those in which landlords maintained considerable economic power well into the twentieth century. Of these four, Spain was the last to develop democratic institutions and it was a society whose landed upper class was slow to disappear.

Rueschemeyer, Stephens, and Stephens argue that the route to democracy in the British settler colonies was somewhat different. These were societies that inherited the political achievements of Great Britain, which gave them a favorable and early start. In addition, the enormous availability of cheap land allowed for the development of a large class of independent farmers. Except for the slavery in the U.S. South, there was no system of labor-repressive agriculture, and (again with the exception of the U.S. South) the landed upper class did not control the state. And eventually the working classes in these societies did become strong and press for political

inclusion. All of these conditions were highly favorable to the development of full substantive democracy. The authors also look at the failure of much substantive democracy to develop in Latin America, arguing that the great economic power of the landed upper classes in this region has been a severe barrier to democracy.

The theory of Rueschemeyer, Stephens, and Stephens is a non-Marxian materialist interpretation that seeks the explanation for the emergence and growth of democracy in the development of capitalism, but it is not because of the economic interests of capitalists that democracy advances. It advances *in spite of* these economic interests, and because of one of the fundamental *contradictions* of capitalism: the creation of large working classes that are able to use their strength in numbers and organization to advance their own interests against the interests of capitalists. Rueschemeyer, Stephens, and Stephens's work is an enormous intellectual advance, a tremendous achievement in the understanding of the evolution of modern democracy.

However, these authors may have missed an important part of the story. In the most extensive research on democracy ever undertaken using quantitative data, Tatu Vanhanen (1997, 2003) has looked at democratization in a large number of nation-states between 1850 and the present. Vanhanen's most basic argument is that governments in complex societies will be authoritarian or autocratic when the large mass of the population lacks resources that they can use to force states to become more democratic and sensitive to their needs and aims. Vanhanen proposes six types of resources that are useful to populations in struggling for more democratic governments: large nonagricultural populations, large urban populations, ownership of farms by independent families, high rates of literacy, high rates of university enrollments, and the deconcentration of nonagricultural economic resources. The first five of these are fairly obvious, the last less so. When nonagricultural economic resources are deconcentrated, their ownership and control are spread throughout many segments of a population, not being monopolized by a powerful state or by a small handful of extremely wealthy individuals. In the state socialist societies of eastern Europe the state controlled economic resources, and in capitalist societies of the nineteenth century economic resources were much more concentrated than they are today.

Vanhanen combined all of these factors into a large superfactor that he calls the *Index of Power Resources* (IPR). He then correlated the IPR with levels of democratization in 172 countries in the early 1990s and found an extremely close relationship. Further analyses of Vanhanen's data (Sanderson, 2004) reveal that the IPR is closely related to levels of democratization throughout the entire period between 1850 and 2000. Vanhanen's conclusion is that states will become democratic when the population gains power resources and remain authoritarian when people lack these resources. He thinks of democracy as not simply an either/or situation. Societies can have a wide range of levels of democracy, ranging from zero (no political rights, no suffrage) to very high levels (extensive political rights, universal adult suffrage). The greater the extent of people's power resources, the higher the level of democratization is likely to be in their society.

Unfortunately, Vanhanen makes an unwarranted assumption, which is that each of the six power resources are of equal significance in promoting democracy. Skeptical of this assumption, one of us (Sanderson, 2004) used Vanhanen's data to examine the separate effects of each of these resources. It was found that the single most important power resource was the level of literacy. This was true throughout the period between 1850 to the present. The deconcentration of nonagricultural economic resources turned out to be the second most important factor for the period between 1980 and 2000. (It may well have been important in early periods too, but there were no data on it available for these earlier periods to test for this possibility.) The question is, Why should literacy be so important for democracy? The answer seems to be that literacy is vital in providing people with both political knowledge and the possibility of communication and organization for political ends. Rueschmeyer, Stephens, and Stephens stress the growth of the working class as the key to democracy, but it would appear that it takes more than just a large working class to bring about democratization. The more literate that working class is, and the more its members are able to communicate with each other on political issues of vital concern to themselves, the greater the chances that they can put pressure on their governments to expand political rights and suffrage. A final question would then be, What is the main cause of literacy? The answer is undoubtedly the development and expansion of mass primary education, which we discuss later in this chapter.

## Capitalism and the Welfare State

In the twentieth century, all modern industrial capitalist societies created large-scale welfare states that, to one extent or another, were designed to improve the situation of various groups in society, in particular the working class. But there is no single type of welfare state, there being considerable variation in its nature. Gøsta Esping-Andersen (1990) has identified three different welfare state clusters. First, there is what he calls the *liberal welfare state*. This type of welfare state is a "minimalist" system in that the government provides citizens with meager to modest income support and a limited amount of other assistance. The clientele consists largely of the lowest-income segments of the working class. Strong work-ethic norms prevail, and entitlement rules are very strict. The United Kingdom, the United States, Canada, and Australia are the best examples of this type of welfare system.

*Conservative welfare states* are found in such European countries as Austria, France, Germany, and Italy. Here, social benefits are provided to the large mass of the population, but these are highly status differentiated. There are numerous social insurance schemes, each with its own particular rules, finances, and benefit structure. For example, in Germany, "Bismarck's pension for workers was not to be blended with that for miners and certainly not with the social policy for civil servants or for white-collar employees" (Esping-Andersen, 1990:60). Social insurance normally excludes nonworking wives, and family benefits are designed so as to encourage motherhood. Child-care services are poorly developed.

The final type of welfare state, the *social democratic state*, provides the greatest number and degree of benefits. This "maximalist" welfare state stands at the opposite extreme from the liberal welfare state. The social democratic welfare state aims to provide a high level of social and economic equality for all citizens, with the working class enjoying the same benefits as the members of higher social classes. As Esping-Andersen notes, everyone benefits and everyone feels obligated to pay for the benefits that all receive. This type of welfare state is most characteristic of Sweden, Denmark, Norway, and to some extent the Netherlands.

Esping-Andersen argues that the most critical feature of a welfare state is the *degree to which it has de commodified work*. Capitalism is the essence of **commodified work**. Work is commodified when its function is to provide the labor that will produce profits for capitalists, and when little or no provision has been made for the well-being of the worker. Work is de commodified to the extent that the debilitating effects of its profit-inducing capacities are counterbalanced by concerns for the quality of life of the worker. This means that workers enjoy extensive benefits in regard to such things as medical insurance and sick days, maternity or parental leave, educational leave, unemployment insurance, and retirement (early or otherwise). As Esping-Andersen (1990:23) puts it, work is de commodified when "citizens can freely, and without potential loss of job, income, or general welfare, opt out of work when they themselves consider it necessary." These are benefits that are normally enjoyed by civil servants and other white-collar workers, but in the most advanced welfare states they are extended as well to the working class. Thus, the social democratic welfare states are the most de commodified, and the liberal welfare states are the least de commodified. As Esping-Andersen (1990:141) explains, the most de commodified type of welfare state

has deliberately abandoned the minimalist philosophy, and espouses entirely new principles with regard to its proper role in the life-cycle, now often committing itself to optimize people's capacities to work, to find work, and even to count on a good job with good pay and working environment. The goal is to allow individuals to harmonize working life with familyhood, to square the dilemmas of having children and working, and to combine productive activity with meaningful and rewarding leisure. In some countries, at least, this philosophy has buttressed recent decades of social-policy development; indeed, it often underpins the legitimacy and common understanding of many contemporary welfare states.

Why have different types of welfare states developed in different countries in the Western world? Esping-Andersen has carried out statistical analyses to answer this question. His analyses show that conservative welfare states have been most common in societies with a long history of authoritarian or highly autocratic states and with a very large Catholic population. Liberal welfare states have been the outcome in societies in which the power of left-wing political parties, especially parties representing the working class, has been relatively weak. Social democratic regimes have emerged under opposite circumstances from liberal welfare regimes: where left-wing or workers' parties have been well organized and politically powerful (cf. Moller et al., 2003).

If Esping-Andersen's findings are correct, they nonetheless leave open the question as to why the working class has been well organized and powerful in some societies but not in others. In a more recent work, John Kautsky (2002) provides an answer to this question by way of an analysis of the rise and development of so-called socialist labor parties (*not* Communist parties). Paralleling Esping-Andersen's analysis, Kautsky shows that socialist labor parties have been strong in a number of western European countries, especially Germany, Austria, Switzerland, Belgium, the Netherlands, Sweden, Norway, and Denmark. Since the 1920s, such parties have often received between 40 and 50 percent of the vote (and occasionally more than 50 percent) in Austria, Sweden, Denmark, Norway, and the United Kingdom. By contrast, in the United States and Canada, socialist labor parties have been weak (extremely weak in the case of the United States), seldom garnering more than a tiny fraction of the votes in major elections.

Kautsky argues that socialist labor parties became strong in those societies in which the political influence and social values of the nobility or aristocracy remained strong well into the twentieth century. The aristocracy was a social class that looked down on the rest of society, even the capitalist class for a long time, and that favored a rigidly class-divided and status-conscious society in which it was ensconced at the top. Aristocrats took a particularly dim view of the growing working class and wanted to keep it at the bottom of society, with no rights, material rewards, or respect. In societies in which aristocratic power and values remained strong, workers reacted extremely negatively and were led to form socialist labor parties to advance their social and economic position. As Kautsky notes, they were, of course, fighting against their capitalist employers, but in societies that remained rigidly hierarchical their fight also had to be against aristocratic groups. This was especially true where the aristocracy allied itself with capitalists, as was often the case.

Kautsky presents considerable evidence that socialist labor or working-class parties were indeed strong in societies with substantial aristocratic remnants. On the other hand, the two Western societies with the weakest socialist labor parties, the United States and Canada, were ones in which there had never been an aristocracy and where a social atmosphere of egalitarianism was present almost from the beginning. As in Europe, workers were not well off economically, but they were treated with much greater respect and thus reacted with much less hostility under these more socially egalitarian conditions. Kautsky also shows that a substantial socialist-labor movement developed in Japan, a society with a much different cultural tradition from the West. Socialist labor parties in Japan received approximately a third of the vote in many of the elections between 1955 and 1990. Japanese society was, like many European societies, rigidly hierarchical, with strong aristocratic elements persisting into the second half of the twentieth century.

What have been the main achievements of welfare states, especially those of the social democratic variety? Have they met their major goals? Upon their emergence in the late nineteenth century, one of the aims of the social democratic welfare states in Scandinavia was to create a more equal income distribution throughout the population. Various studies have suggested that the Scandinavian countries have been relatively unsuccessful in this endeavor, for their income distributions, even after taxation, do not differ all that much from the distributions found in other

industrial capitalist societies (Parkin, 1971; Stevenson, 1974, 1982). However, as Esping-Andersen points out, looking at income distributions alone provides too narrow a framework for evaluating the achievements of this most advanced type of welfare state. For one thing, it has done a great deal to eliminate poverty. The percentage of the aged living in poverty in the United Kingdom and the United States is, for example, 29 percent and 24 percent, respectively, whereas in Sweden it is a mere 1 percent.

In addition, criteria for measuring the quality of life involve more than just the level of paid income. One has to look at such additional resources as health, housing, education, and social and political effectiveness, not to mention the extent of workplace decommodification. Esping-Andersen notes that periodic national surveys have been conducted in Sweden and Denmark since 1968 concerning the welfare state's equalizing effects. These studies show that, despite worsening economic conditions throughout the Western world during this time, living conditions have improved and there is a trend toward greater equality in the possession of economic resources. Thus, "for Scandinavia at least, the welfare state is a mighty opponent to the economy's inegalitarian thrust" (Esping-Andersen, 1990:57). The accomplishments of the social democratic welfare state are therefore much greater than a simple inspection of income distributions would suggest.

In their early days, socialist labor parties were fairly radical. They not only wanted a relatively egalitarian income distribution but they also actually wanted to replace capitalism with socialism. Throughout the twentieth century these radical aims were greatly tempered and toned down, such that labor parties began increasingly compromising with governments and capitalists and conceding more and more. They have come to live with capitalism and only wish to restrain its potentially negative impact. Moreover, these parties have broadened their constituency. They were originally parties of only the working class, but, as Kautsky points out, they have gradually evolved from "worker's parties" into "people's parties." This is because the size of the working class stopped increasing during the twentieth century (and actually shrunk in a few instances). Socialist labor parties originally expected the working class to continue to grow until it became a sizable majority of society. But, as this failed to occur, they had to adjust their political approach by looking to attract other segments of the population, such as the lower-middle class, which was a growing class.

### The Rise and Expansion of Mass Education

Another major feature of industrial societies is their large systems of **mass education**. Modern systems of formal education arose mainly during the nineteenth century and became consolidated in the twentieth; formal education of long duration is now the normal experience of youth in all industrial societies. Table 7.1 gives some idea of the size of enrollments at different educational levels. It is clear that both primary and secondary education are universal throughout the industrialized world. Tertiary education, which includes not only colleges and universities but also business schools and other postsecondary technical schools, has also become a major part of

the educational systems of industrial societies. Tertiary enrollments are now extensive in industrial societies.

How did mass education get started and how has it expanded over time? The first Western society to introduce compulsory primary education was Germany (Prussia), which did so in 1763. Germany was followed by Denmark (1814), Sweden (1842), Norway (1848), Italy (1859), Switzerland (1874), England and Wales (1880), France (1882), the Netherlands (1900), and Belgium (1914) (Flora, 1983; Johansen, Collins, and Johnson, 1986). In the United States, the first state to establish compulsory education was Massachusetts, which did so in 1852, and by 1900, 32 states had established compulsory education (Flora, 1983). Japan first began compulsory education in 1872 (Hane, 1992). By the end of the nineteenth century, compulsory primary education had become well established throughout the Western world and enrollments were high (Benavot and Riddle, 1988).

Secondary education existed in the nineteenth century but did not experience significant expansion in most Western societies until the middle third of the twentieth century (Flora, 1983). Even as late as 1950, secondary education in most Western societies was still very limited, with less than 20 percent of the age group from 10 to

TABLE 7.1 Educational Enrollments for Selected Industrial Societies

Society	Primary Education	Secondary Education	Tertiary Education	No. of Tertiary Students per 100,000 Population
United Kingdom	100	92	52	3,135
Netherlands	100	100	47	3,176
Belgium	100	100	56	3,494
Italy	100	95	47	3,103
France	100	99	51	3,600
Germany	100	95	47	2,628
Denmark	100	95	48*	3,189
Sweden	100	100	45*	2,972
Canada	100	95	88	5,997
United States	100	96	81	5,339
Australia	100	96	80	5,401
Japan	100	100	41	3,139
Russia	100	88	43	2,998
Czech Republic	100	100	24	1,867
Hungary	98	97	24	1,926
Poland	99	87	25	1,884

*Note:* The first three sets of figures are enrollment ratios and are for 1997. The enrollment ratio is the number of students, of whatever age, enrolled at a given educational level divided by the total population in the age bracket normally representing that level. The figures for the number of tertiary students per 100,000 population are for 1994 or 1995.

Tertiary education is defined as all postsecondary education; it includes all students in colleges, universities, and various types of technical schools.

\*Projections based on 1993 tertiary enrollment ratios.

Sources: World Bank (2001); UNESCO (1996, 1998); National Center for Education Statistics (2001).

19 attending a secondary school (Flora, 1983). Tertiary education, as would be expected, developed even later than secondary education. Enrollment levels in tertiary institutions were low even as late as 1965, including more than 18 percent of the relevant age group only in Canada and the United States. It was not until the 1960s that tertiary education began to expand on a major scale on its way to becoming the major social force that it is today.

What accounts for the building of mass educational systems? One line of argument sees mass education as an essential ingredient of *nation building* (Meyer, Ramirez, Rubinson, and Boli-Bennett, 1977; Meyer, Tyack, Nagel, and Gordon, 1979; Boli, Ramirez, and Meyer, 1985). The proponents of this theory argue that a good theory of mass education must be able to explain the following features of modern mass educational systems:

- Mass educational systems are intended to be universal, standardized, and highly rationalized. They apply to everyone in the same fashion, cutting across the class, ethnic, racial, religious, and gender cleavages of a society.
- Mass educational systems are highly institutionalized at a world level. They are extraordinarily similar in very different societies throughout the world, and have become increasingly similar over time.
- Mass educational systems are specifically directed toward the socialization of the individual as the primary social unit. This is seen, for example, in the extent to which educational rituals celebrate individual choice and responsibility rather than the imbeddedness of individuals in such corporate groups as social classes, castes, or extended families.

The nation-building theory proposes that mass education arose in the modern world specifically as a device for the intensive socialization of the individual into the values and aspirations of the modern, rational nation-state. To build such a state, citizens have to be loyal and committed to it, and they must be sufficiently knowledgeable of political life so as to participate in it and help maintain the political system.

This theory has much to recommend it and seems to make very good sense of those specific features of modern educational systems that the nation-building theorists see as most crucial. It can certainly help explain not only the origins of mass education but also the reasons why primary education, and to some extent secondary education, have become so prominent in so many societies around the world. However, the theory seems inadequate as a means of understanding many of the developments in higher education, especially why it has expanded so rapidly and so substantially in some societies. Most of what citizens "need to know" about the political life of their society is taught in primary and secondary schools. Moreover, the nation-building theory may not be fully adequate even in explaining a good deal of the expansion of secondary education. To explain these things we will draw on another theory: the credential inflation argument of Collins and Dore.

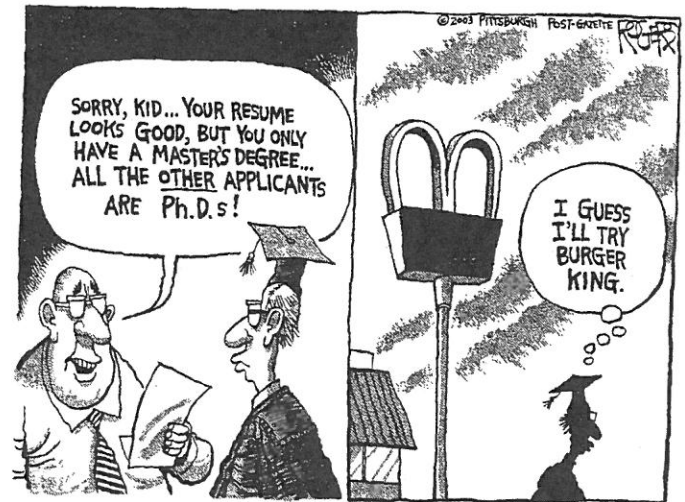
In his book *The Credential Society* (1979), Collins focuses on the U.S. educational system and why it has become one of the world's largest and most comprehensive systems, but an important part of Collins's overall theory can be extended to other modern educational systems. Collins views the character of U.S. education and its

dramatic expansion throughout the past century as rooted in the great ethnic diversity of U.S. society. Such diversity has resulted in major struggles among ethnic groups for privilege and prestige. These struggles began mainly in the late nineteenth century and continued well into the twentieth. Education, Collins holds, became the major weapon used in such struggles. Dominant groups used the educational system as a means of maintaining their cultural and economic dominance. For them, it was a mechanism for transmitting their dominant cultural values to new immigrant groups of workers, as well as a resource to be used to reinforce their economic dominance. But subordinate groups also saw it as a resource they could use in their attempts to improve their economic status. The possession of a certain amount of education came to be viewed as establishing a set of *credentials* that would provide access to certain desired occupational positions. Education thus became an arena in which different groups competed for economic success. As this competition progressed, education began to increase in size and importance.

As more and more persons began to obtain educational credentials, however, an unexpected and unwanted thing happened: Their credentials declined in value. Drawing an analogy to monetary inflation, Collins calls this process **credential inflation**. Just as money inflates when there is more of it in circulation, educational credentials inflate when more people possess more of them. Credential inflation in the educational sphere means that the same amount of education no longer "purchases" what it once did. One must acquire more of it just to keep even in the struggle for economic success. Collins argues that this is exactly what has been happening in the U.S. educational system over the past century. The struggle over education has caused continual educational inflation, resulting in the massive expansion of the educational system (and educational requirements for jobs) over time. Since it now takes a college degree to obtain a job that could have been obtained with a high school diploma 40 years ago, a greater number of young people are going to college. Most of them go not because of a desire for learning, Collins insists, but because they seek credentials that they hope will pay off in economic success.

Collins also makes special note of the fact that, as U.S. education expanded, educational institutions were forced to make major changes in their curricula and in their overall character in order to appeal to an increasingly mass clientele. The most prominent changes involved the watering down of the classical liberal arts curriculum and the introduction of a host of extracurricular activities. The transformation of the high school into a mass institution, for instance, was accompanied by the so-called progressive movement in education. Two of progressivism's major innovations were the introduction of athletics and other extracurricular activities and the attempt "to substitute a rather vague 'life-adjustment' training for the classical curriculum" (Collins, 1979:115-116). Similar changes occurred when colleges and universities started to be attended by a larger clientele, most of whom were seeking educational credentials rather than intellectual stimulation.

Collins (1977) notes that there are significant differences among the educational systems of industrial societies. For example, England, Germany, and France have historically had educational systems that have been called **sponsored-mobility educational systems**. Here, students are placed into one or the other of two educational channels or tracks early in their educational careers. At approximately age 11,



Could credential inflation ever go this far?

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students take qualifying exams, and those who pass (usually only a small minority) are placed in the channel that leads to a university education and the occupational opportunities it affords. Those failing the exam (usually a large majority) end up in the track that terminates with a vocational education. By contrast, **contest-mobility educational systems** do no official channeling and there is a more open competition for the pursuit of advanced education. In this system, students do not take qualifying exams whose results determine their educational and occupational chances once and for all. Essentially, they can go as far as their abilities and inclinations will take them. The United States has the quintessential contest-mobility system, a system also found to some extent in Japan.

Collins argues that sponsored-mobility systems develop in societies where the level of class segregation is high. The class-segregated character of the educational system reflects the class-segregated character of the larger society. Competition for advanced education is strictly regulated, and as a result the system of tertiary education tends to remain relatively small, which means that these systems have been less inflationary, at least at the highest level. Contest-mobility systems, on the other hand, tend to emerge in societies in which the level of class segregation is low. Low class segregation is associated with a strong egalitarian ideology, and the educational system becomes the focus for the implementation of this ideology. As a result, a more open competition for advanced education occurs, which in turn leads to a larger and more rapidly inflating educational system at the tertiary level.

Collins's theory is a major contribution to the understanding of educational expansion, but there is one difficulty with it. This concerns his argument that ethnic diversity is at the root of educational expansion. The world's most ethnically heterogeneous society, for example, the old Soviet Union, has undergone less educational expansion than the world's most ethnically homogeneous society, Japan. Systematic empirical research seems to contradict the theory (Boli, Ramirez, and Meyer, 1985). Recent research by Sanderson using a large sample of contemporary nation-states found that ethnic heterogeneity is actually *negatively* rather than positively corre-

lated with the expansion of educational enrollments. In other words, ethnic heterogeneity *inhibits* rather than promotes the growth of enrollments (cf. D. Brown, 1995:39–43). Fortunately, there is a simple way of explaining credential inflation and educational expansion that does not rely on the factor of ethnic heterogeneity, so the most important part of Collins's theory can be saved.

Ronald Dore (1976) has developed a similar argument that he has applied to several Western industrial societies, as well as to less-developed countries. What Collins calls **credentialism**—the process whereby educational systems come to be built around the pursuit of educational certificates for their occupational value rather than around learning as valuable for its own sake—Dore refers to by the term **qualificationism**. He suggests that it is a significant phenomenon in all or most major industrial societies. All (or at least most) contemporary nations have thus become infected with what Dore calls "the diploma disease." The diploma disease is a type of vicious circle in which individuals become obsessed with the acquisition of diplomas or degrees because employers increasingly emphasize such educational certificates in their statements of job qualifications. The two sides feed off each other, and educational certificates inflate as a result.

Although qualificationism seems to be a more prominent characteristic of the United States, Canada, and Australia than of other advanced industrial societies, it certainly became a significant feature of the educational systems of virtually all other industrial societies in the twentieth century. England, for example, experienced very significant growth of qualificationism throughout the century; in fact, it moved substantially away from a sponsored-mobility system and increasingly toward a contest-mobility system during the second half of the twentieth century. More recently, Germany and France, which have historically had very small systems of tertiary education with extremely rigorous standards for admission and graduation, have begun to expand their tertiary enrollments quite substantially.

Japan has created what is perhaps the most credentialized educational system in the industrialized world (Dore, 1976). As Dore remarks, almost from the very beginning of its industrialization Japan was building credentialism into its career preparation, and it underwent enormous educational expansion throughout the twentieth century. In 1918, private colleges in Japan were given the right to call themselves universities, and two decades later, 26 such universities had been established. At the same time, there were also 19 state universities and 2 municipal universities (Dore, 1976). By 1950, the total number of institutions of higher education had exploded to 350. The number swelled to 525 institutions (245 universities and 280 junior colleges) by 1960, to 861 (382 universities and 479 junior colleges) by 1971, and to 963 (446 universities and 517 junior colleges) by 1980. By 1987, there were over 2.3 million students enrolled in 474 universities and 561 junior colleges (Kitamura, 1991). This obviously represents an extremely high rate of educational expansion, with apparently no end in sight.

In conclusion, we suggest that the emergence of modern systems of mass education and their expansion in the twentieth century can be explained by combining the nation-building and credential inflation theories. However, since we have shorn Collins's theory of its ethnic heterogeneity argument, we need to provide a mechanism that will keep the process of credential inflation going. The process is, in

essence, a quite simple one: the logic of the "market" for educational credentials causes continuous qualification expansion. As more people gain credentials, the worth of these credentials declines in terms of the kinds of jobs for which their holders can qualify. Therefore, unless people are willing to lower their occupational aspirations, they must stay in school longer in order to achieve a higher credential. Moreover, educational certificates that were once desirable as a basis for acquiring a certain job eventually end up becoming minimal requirements. If an educational certificate that was once held by few people later comes to be held by most or even all people, then employers will see it as meaning little and will have to start relying on the possession of a higher educational certificate as a way of sorting out applicants for jobs.

### The Demographic Transition

As is well known, in modern industrial societies relatively small families have become the norm, with most couples having two or three children, and population growth is relatively slow. This is in contrast to the very same societies prior to large-scale industrialization and urbanization, when couples tended to have more children (although population growth was still relatively slow); and it is especially in contrast to contemporary societies of the less-developed world, where large family size has long been the norm and population growth relatively rapid. The process whereby there has been a shift from large to small families is known as the **demographic transition** (Harris and Ross, 1987; cf. Handwerker, 1986). This major social transformation has occurred in three stages. In the first stage, characterized by societies prior to, or in the very early stages of, industrialization, both birthrates and death rates are high; population grows slowly because these two rates approximately cancel each other out. In stage two, which began in the nineteenth century, death rates begin to decline because of improvements in health care, sanitation, and the like; but since birthrates remain high, population begins to grow rapidly. With the transition to the third stage, birthrates begin to drop and once again remain only slightly higher than death rates, and thus population growth rates decline.

*Randall Collins is an eminent comparative and historical sociologist and sociological theorist. One of his most important contributions is his credential inflation theory of educational expansion.*



The big question is, Why have birthrates become so much lower in modern industrial societies? Why do couples have only two or three children rather than six, eight, or even more? One of the most common answers invokes the economic value of children's labor as the principal causal variable. Marvin Harris (1989; Harris and Ross, 1987) has been one of the foremost proponents of this view. Harris argues that in societies where agriculture remains the primary basis for subsistence, children perform many useful economic activities. They carry water, gather firewood, sweep floors, grind and pound grains, take food to adults in the fields, cook, work full time in the fields, fish and herd, and make pots, mats, and nets. Older children also perform the important task of looking after the younger ones much of the time, thus freeing their parents for other work. Where children perform these and other useful activities, it makes sense for childbearing rates to be high. Although children are costly to rear, the benefits they produce outweigh these costs. When a society shifts from an agricultural to an industrial economy, the economic value of children declines, and in direct proportion to the level of industrialization. In urban settings, children can no longer perform the valuable economic tasks that they undertake in rural settings, and the costs of rearing them far outweigh the value of any labor they might continue to perform. Under these circumstances, childbearing rates decline, families get smaller, and population grows more slowly.

A number of demographers—students of population—have made essentially the same type of argument (e.g., Caldwell, 1976; Boserup, 1986), and this argument is consistent with evidence from a variety of empirical studies. Benjamin White (1973, 1976, 1982), for example, found that Javanese peasant children performed almost half of all household work, and Nag, White, and Peet (1978) found a high correlation between the number of hours of children's household labor and that household's balance of income. Moreover, Ester Boserup (1986) examined the childbearing rates for people in various occupations in 28 less-developed countries. She found that, of people working in four different types of occupations, those working in agriculture had the highest rate of childbearing and those working in professional, managerial, technical, and clerical jobs had the lowest rate.

This view of the determinants of childbearing rates has not gone unchallenged. Bobbi Low (1991, 1993) and Paul Turke (1989) claim that the labor of children can never offset the costs of rearing them and that economic benefits in all settings flow from parents to children rather than the other way around. Hilliard Kaplan (1994) has examined data from three tribal societies in South America that combined hunting and gathering and horticulture. All three had very high childbearing rates, but children in each of these societies were consuming many more calories than they were producing. Kaplan concluded that these children were very costly to rear and hardly earned their keep in economic terms.

If children are economic costly to rear in all societies, then why do people have so many of them in most societies, and why has childbearing declined so markedly in modern industrial societies? Sanderson and Dubrow (2000) carried out a series of complex statistical analyses in which they attempted to answer this question. First, they looked at 63 contemporary societies at various levels of economic development during the period between 1960 and 1990 and examined the effects of six factors on the rate of childbearing: per capita GNP, the adult literacy rate, percentage of the

population working in agriculture, percentage of the population living in urban areas, the level of female empowerment, and the infant mortality rate. Their results provided very weak support for the argument that childbearing is being adjusted primarily to the economic value of children's labor. The percentage of the labor force working in agriculture was not consistently related to the rate of childbearing, nor was the percentage of the population living in urban areas. And a simple increase in material wealth or the standard of living was not an important determinant of childbearing since the per capita GNP did not consistently relate to the childbearing rate. It was the infant mortality rate that emerged as the most important determinant of childbearing: As infant mortality declined, the number of children produced per woman declined as well. Childbearing rates were high in those societies with high infant mortality rates, and low in societies with low infant mortality rates. The second most important determinant was the level of female empowerment. Other things being equal, women had fewer children in those societies where they held more power relative to men.

In a second analysis, Sanderson and Dubrow looked at 27 now developed societies during the period between 1880 and 1940, which is the main period of the original demographic transition. This analysis also showed strong support for the causal role of infant mortality, which was easily the main determinant of the childbearing rate. However, the economic value of children's labor, as measured by the percentage of the population working in agriculture or manufacturing, did seem to have at least some effect, and so this factor may have been somewhat more important for the original demographic transition than for the 1960–1990 period.

Although childbearing rates do not appear to decline simply because societies develop economically and become wealthier, the shift of a society from a rural and agricultural base to an urban and industrial one may still be a significant part of the story. Hilliard Kaplan (1996) argues that modernization has caused people to reduce their number of offspring but to invest much more in each child—in essence, trading quantity for quality (cf. van den Berghe and Whitmeyer, 1990). Kaplan suggests that it is the development of skills-based competitive labor markets that is crucial to this process because such markets lead to an increase in the importance of parental investment in the well-being of each child. Kaplan's argument is supported by evidence showing that in modern societies, better-educated and wealthier parents tend to have fewer offspring than do couples who are less educated and earn lower incomes. However, what is missing in Kaplan's argument is any reference to reduced infant mortality. In order for parents to have only two or three children and invest heavily in each child, the rate of infant and child survivorship must be very high, and strong parent-child attachment is likely to be high only in those societies that have low rates of childbearing and infant mortality—that is, in postdemographic transition societies (Wiley and Carlin, 1999).

The discovery that female empowerment is an important determinant of lower rates of childbearing makes sense in terms of what has just been said. Female empowerment likely helps to reduce childbearing because women often regard having a large number of children as a serious burden; after all, they are the ones who assume most of the child-care duties in all societies. As women gain greater power,

they become increasingly able to act on their desire to have fewer children (Penn, 1999). Moreover, Murthi, Guio, and Dreze (1995) show that female empowerment, especially when it results from greater education, leads women to have higher aspirations for each child, which in turn leads them to want to trade child quantity for child quality. Greater education also leads to a decline in infant mortality because it increases a mother's knowledge of nutrition and hygiene, and thus fewer births are needed to achieve a desired family size (Murthi, Guio, and Dreze, 1995).

In conclusion, Sanderson and Dubrow provide evidence to suggest that declining infant mortality and increasing female empowerment, rather than the declining economic value of children's labor, are the most important determinants of declining childbearing rates. However, their analysis also shows that these factors are not the whole story; much of the variation in childbearing rates is still unaccounted for. Sociologists and demographers still have more to learn about the causes of reproductive behavior and desired family size.

### The Rise of a Postindustrial Society?

One of the most influential sociological works of the past 30 years is Daniel Bell's *The Coming of Post-Industrial Society* (1973). Since Bell's work was published, the phrase **postindustrial society** has appeared frequently and approvingly in numerous sociological textbooks and other works. Bell argues that a new type of society, the postindustrial society, has in recent decades begun to emerge in the most economically advanced nations of the West, the United States in particular. The most fundamental feature of this type of society is its emphasis on the production of services rather than goods, and especially certain types of services. Whereas the industrial society delivers services in such areas as transportation, utilities, and telecommunications, the postindustrial society emphasizes services involving health, science, and education.

The emergence of a postindustrial society thus involves a major transformation in the very basis of society. An industrial society, Bell argues, is based on property; a postindustrial society, on the other hand, rests on knowledge, particularly theoretical knowledge. This change in the very basis of social life is also marked by a change in the class structure. The new dominant social class is no longer a capitalist class but a "social intelligentsia": a class of highly educated individuals whose social dominance rests on their possession of advanced forms of theoretical knowledge. The most important members of this class are teachers, physicians, lawyers, scientists, and engineers—people for whom work has become a "game between people" rather than a game between people and things.

For Bell, then, the postindustrial society is one whose overall character is vastly different from industrial or capitalist society. The desire for profit is no longer the driving force of economic and social life. Life becomes oriented around the accumulation of knowledge and its use for human betterment. Corporations come to be subordinated to what Bell calls the "sociologizing mode." This means that their emphasis shifts toward providing extensive benefits for their employees as well as

toward their "social responsibility." In addition to and in conjunction with these changes, the postindustrial society gives a new emphasis to leisure. People acquire advanced forms of education not only for their important social uses but also for enjoyment and intellectual uplift. In general, a postindustrial society is far better educated than an industrial one.

Although Bell's ideas have gained widespread acceptance among many contemporary sociologists, there is cause to be highly skeptical of most of them. The basic difficulties with Bell's analysis have been insightfully delineated by a number of social scientists (Berger, 1974; Arriaga, 1985; Walker, 1985; Kumar, 1995). Stephen Berger (1974) suggests that many of the developments discussed by Bell do not represent the emergence of a new type of society that is opposed to capitalism, but rather of a new phase in the very development of capitalism. The expansion of government services, for example, may be understood as a necessary step in the political management of an advanced capitalist society. Moreover, Berger argues, the original motivation behind technological forecasting was military in nature, and most of the recent expansion of science has been due to government involvement in defense and space exploration. Berger's central argument against Bell is expressed as follows (1974:102):

I would argue that these changes, if they are real, represent only the continued operation of the logic of industry. That logic, as analyzed by . . . Karl Marx, included the continuous enlargement of the areas of human work which were dominated by commodity production and the continuous use of scientists and engineers to create machines, techniques, and modes of organization to replace and control workers. . . .

The shifts from goods to services and from manual to professional and technical workers make sense within an analysis of the dynamics of capitalism.

Similarly, Krishan Kumar (1995:32) argues that the new information technology "is being applied within a political and economic framework that confirms and accentuates existing patterns, rather than giving rise to new ones." "The instruments and techniques may change," Kumar notes, "but the overriding goals and purposes of capitalist industrial societies remain the same as before."

To Berger's and Kumar's remarks several critical comments may be added. One concerns Bell's notion that a propertyless intelligentsia has emerged as the dominant class within postindustrial society. A better interpretation, we believe, would hold that such a group, to the extent that it exists, lacks any real social power and is by and large in a service capacity to the capitalist system. After all, most teachers, scientists, and engineers are employed in large public bureaucracies. As Berger has noted, these public bureaucracies may be viewed from the perspective of the capitalist-induced expansion of government. A second comment involves Bell's treatment of the expansion of education. In this regard, Bell seems to confuse education with "schooling" (Berger, 1974). Although it is certainly true that schooling has been expanding on a vast scale in the contemporary United States, this should not be construed, as Bell seems to do, as resulting from the greater need and desire for knowledge. A more realistic interpretation, in our view, is that schooling has been expanding as a result of the inflation of educational credentials, as argued earlier. It

is not the thirst for knowledge that leads people to stay in school for ever longer periods, but the desire for educational certificates that translate into better-paying and higher-prestige jobs.

In sum, then, modern industrial economies have increasingly become "service and information economies" (Harris, 1981), but this is not a process of the overturning of capitalism. Capitalism is alive and well, and the increased focus on service and information is simply another aspect of the commodification of economic and social life. Industrialism and capitalism have been extended rather than negated.

## FOR FURTHER READING

Anthony Giddens's *The Class Structure of the Advanced Societies* (1980) is a valuable theoretically informed analysis of many of the issues involved in the study of classes in modern industrial societies. See also Giddens and Held (1982). Erik Olin Wright's *Classes* (1985) is a heroic, if only partially successful, attempt to map the class structure of modern capitalist societies from a Marxian perspective. Frank Parkin's *Marxism and Class Theory: A Bourgeois Critique* (1979) presents a provocative critique of the Marxian approach to class in industrial capitalist societies and provides an important theoretical alternative. Raymond Murphy's *Social Closure: The Theory of Monopolization and Exclusion* (1988) extends Parkin's line of thinking. Charles Tilly's *Durable Inequality* (1998) presents a broadly similar argument. Paul Kingston's *The Classless Society* (2000) takes up the question as to whether classes in the United States and other industrial capitalist societies exist in the sense of being coherent and cohesive groups rather than mere categories. His highly controversial conclusion is that they do not. Lisa Keister's *Wealth in America: Trends in Wealth Inequality* (2000a) is probably the best study of wealth inequality in the United States in the last 40 years. Erikson and Goldthorpe's *The Constant Flux: A Study of Class Mobility in Industrial Societies* (1993) is an extremely comprehensive analysis of social mobility in a dozen industrial societies and is the best recent study of the subject.

Gøsta Esping-Andersen's *The Three Worlds of Welfare Capitalism* (1990), one of the best studies of the modern welfare state available, provides many useful insights into different types of welfare states, their origins, and their accomplishments. See also Huber and Stephens (2001) and Moller and associates (2003). Perhaps the best recent work on welfare states, and socialist labor movements more generally, is Kautsky's *Social Democracy and the Aristocracy* (2002).

Martin Carnoy (1984) presents an excellent overview of theories of the modern state, with a stress on classical and contemporary Marxian theories. Barrington Moore (1966) and Albert Szymanski (1978) present Marxian accounts of the emergence of democracy in the modern world. Rueschemeyer, Stephens, and Stephens's *Capitalist Development and Democracy* (1992) criticizes the Marxian explanation of democracy and offers a non-Marxian, but materialist, alternative that focuses on the balance of class forces and the role of working-class power. It is one of the best books ever written on the origins of democracy. Tatu Vanhanen's *Prospects of Democracy: A Study of 172 Countries* (1997) is a quantitative statistical analysis of the development of democracy in 172 countries between 1850 and 1990. It is an extremely valuable complement to the Rueschemeyer, Stephens, and Stephens (1992) book. He has updated this work in a more recent book (Vanhanen, 2003). These books are essential reading for serious students of democracy. Sanderson (2004) has reanalyzed Vanhanen's data and revised and extended his argument. Several books by William Domhoff (1970, 1978, 1983, 1990) take up the question of who has power in the United States.

The classic statement of the credential inflation theory of educational expansion is Collins's *The Credential Society: An Historical Sociology of Education and Stratification* (1979). Ronald Dore (1976) develops much the same argument for other industrial countries as well as for the less-developed world. David Brown (1995) has written an insightful book on the beginnings of credentialism and the early expansion of higher education in the United States that is critical of some aspects of Collins's argument; Brown develops a similar theory of the role of credentialism in the expansion of higher education. The argument that the origin and expansion of mass education are rooted in the building of modern nation-states is developed in Boli, Ramirez, and Meyer (1985) and related publications by the same authors. Beauchamp (1991) is a collection of valuable essays on the Japanese educational system, including its expansion.

Bowles and Gintis's *Schooling in Capitalist America* (1976) develops the Marxian thesis that the origin and expansion of U.S. education since the 1840s resulted from the desire of capitalists to socialize and discipline the working class and legitimate the capitalist system. This argument now seems to be largely discredited, even in the eyes of many fellow Marxists, and the authors themselves no longer defend it. A still popular, although rather dubious, explanation of the development of modern educational systems holds that education has expanded (especially at the secondary and tertiary levels) to provide people with the greater knowledge they need to do the increasingly specialized and demanding work characteristic of modern societies (Clark, 1962; Trow, 1966). This argument, which dates back to at least the 1950s and 1960s, is criticized in Collins (1979) and in Brown (1995).

A very useful work on the demographic transition and on birth and death rates in human societies more generally is Harris and Ross's *Sex, Death, and Fertility: Population Regulation in Preindustrial and Developing Societies* (1987). Sanderson and Dubrow (2000) overview various theories of reproductive behavior and the demographic transition and provide other useful references.

Daniel Bell's *The Coming of Post-Industrial Society* (1973) is the classic statement of the postindustrial society thesis. Krishan Kumar's *From Post-Industrial to Post-Modern Society: New Theories of the Contemporary World* (1995) critically evaluates this and related theses. See also Kumar (1988). Harry Braverman's *Labor and Monopoly Capital: The Degradation of Work in the Twentieth Century* (1974) is a well-known work that analyzes the transformation of the workplace in capitalist society since the late nineteenth century. Braverman advances the hotly contested thesis that there has been an overall deskilling of manual work during this period.

Harold Wilensky's *Rich Democracies* (2002) is an extraordinarily comprehensive work—nearly 900 pages with very small print—that looks in detail at many features of 19 industrial capitalist societies: variations in political and economic systems, welfare states, economic performance, higher education, stratification and mobility, political parties, work and jobs, mass media, family policy, crime, and health care. Wilensky also looks at the extent to which these societies are evolving along a convergent path and critically evaluates the postindustrial society thesis.