There is no doubt among macrosociologists that capitalism is one of the major social forces in the world today. This is not because sociologists are all Marxists (although that accusation has been made). What most sociologists find compelling in Marx is not his predictions of a future communist society, for that is all rather speculative and not entirely consistent with the thrust of his analysis. Rather, Marx’s true intellectual legacy to sociology is his study of the origins, structure, and functioning of capitalist society; in this, he is second to none (Kumar 1978, 61). Capital plays a major role in the theories not only of those writing in the tradition of Marx but also of theorists following the traditions of Weber, Spencer, and even Durkheim. It is capitalism and its institutions that colour the attitudes and beliefs—in private property, profit, consumerism, and free enterprise, for example—of the vast majority of people in Western societies. Capitalism and its drive for economic growth has been linked to environmental depletion and pollution (John Bellamy...

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*The worst error of all is to suppose that capitalism is simply an economic system.* — Fernand Braudel
Foster); an increasing division of labour and a growing underclass (Harry Braverman and C. Wright Mills); expropriation of surplus from poorer countries to richer countries (Immanuel Wallerstein and Stephen Sanderson); growth in the size and power of institutions and the concentration of power at the top of these organizations (Mills and Marvin Harris); the commodification of social life (Mills, Braverman, and George Ritzer); the decline in the importance and functions of primary groups (Robert Nisbet); rising anomie (Émile Durkheim and Stjepan Meštrović); and an increase in alienation and rationalization among individuals (Ritzer).

Before going further, it is important to define capitalism as an economic-political system. Most North Americans have an idealized image of capitalism that consists of thousands of companies in competition for the consumer’s dollar. This competition forces companies to produce the best possible product at the lowest possible price. According to this image, the government remains laissez faire: that is, it does not interfere in economic affairs. The reality, of course, has always been far from this ideal; in fact, capitalism today is almost its direct opposite. Modern capitalism consists of corporations that seek to produce goods and services for sale in a market for profit; these corporations have a strong drive to constantly accumulate capital through the maximization of profit (Wallerstein 1999, 78; 2000, 84–85). Since competition produces winners and losers and since international production and distribution processes favour economies of scale, many of these corporations have grown huge. In accordance with their drive to maximize profit, corporations seek, through monopoly or collusion, to limit competition with other corporations in their markets; from government, they seek contracts, market protections, subsidies, and basic and applied research, as well as favourable labour, tax, environmental, and other regulatory laws. And they constantly strive to increase their political power to more effectively pursue their interests.
ORIGINS OF CAPITALISM

Most macrosociologists have tried to explain the rise of capitalism, a process that began in Western Europe during the fifteenth century. This rise is considered critical in bringing about the modern era. Of course, capitalism was not suddenly invented: the pursuit of profit through enterprise and trade existed in many societies long before this time. Starting in the 1400s, however, capitalism began to expand rapidly in some Western European societies, and the interests of merchants and those who organized the production of goods and services began to take more of a central role in the affairs of state. Their power and influence increased, and the many checks on their accumulation of wealth and political power were gradually removed (Sanderson and Alderson 2005, 6). What is of interest to macrosociologists is why Western Europe (and over time, the world) became dominated by this economic-political system. Many factors behind the rise of capitalism have been put forward by macro theorists; here, we will highlight the major causes that have been identified and order them in accordance with materialist principles.

The most significant factor in the rise of capitalism is the failure of the previous economic-political system of Western Europe in providing for its populations, referred to as “the crisis of feudalism.” Feudalism is an economic system based upon hundreds of small manor-based production units in which most of the surplus is taken by the lord of the manor. Sociologist and world-systems analyst Immanuel Wallerstein (1974, 37) describes the beginnings of that system’s demise: “From about 1150 to 1300, there was an expansion in Europe within the framework of the feudal mode of production, an expansion at once geographic, commercial, and demographic. From about 1300 to 1450, what expanded contracted, again at the three levels of geography, commerce, and demography.”2 Wallerstein and others identify three main reasons for the crisis of feudalism. First, the Little Ice Age, a cooling of Western Europe’s temperatures beginning around 1300, affected food production and, consequently, increased hunger and epidemics throughout Europe. Second, a point
of diminishing returns was reached in which increases in productivity of the land were no longer possible given the level of technology and the lack of support for technological development in food production. Technological development slowed, Wallerstein argues, because, on the one hand, there was no structural motivation for the peasantry to innovate—any increase in surplus would merely be appropriated by the lords. The lords, on the other hand, had no real knowledge of the land or practical experience in production. And third, after a thousand years of feudal domination, the peasantry could no longer afford to support an aristocracy growing in number and in expenditures; the ruling class was becoming more and more of a burden on the peasantry (15–63).

According to materialist principles, people make productive and reproductive decisions based on costs and benefits. As the feudal crisis intensified, many lords took some of their land out of food production to raise sheep for the wool trade, thus supplementing their income. To maximize their economic interests, they enclosed ever more land in order to raise more sheep and sell more wool. This reduced the amount of land available for peasants and their crops, and the peasants, responding to the marginal lands available to them at the manor, increasingly left the land for the towns. Many lived by begging and thieving, while others became wage labourers in the growing trade and manufacturing of the era (Marx [1867] 1915, 790–92).3 The price of wheat, the primary staple food of Europe, nearly tripled from the twelfth to the fourteenth century (although the English export of wool rose by 40 percent). This resulted in economic and political chaos in the last days of the feudal era in Europe, chaos manifested in increases in infanticide, malnourishment, plague, peasant revolts, and social unrest (as evidenced by the Reformation and Inquisition), as well as seemingly endless wars (Harris 1977, 257–58). Population levels went through wide swings throughout the crisis of feudalism, rising and falling with economic conditions. However, population appears to have expanded rapidly with capitalist development, which led to a large pool of available urban labour, a spur for further economic development, as well as
growing markets for goods (Sanderson and Alderson 2005, 99). Weber ([1923] 2003, 352) remarks on this increase in population but argues that while the growth of population in Europe favoured the development of capitalism by creating the necessary labour force, it did not by itself cause this development. Of course, because Weber had a pronounced systems view, he would never identify a single factor as outweighing all others.

In addition to the crisis of feudalism, geography appears to have played a significant role in the rise of capitalism. Sociologist Stephen Sanderson (1999, 161–72) points out that capitalism did not arise in Europe alone but also in Japan several hundred years later, despite no significant European contact. Among the similarities between the societies of Western Europe and Japan that could well be related to the rise of capitalism are their small geographical size and their locations on the periphery of the Eurasian landmass, providing access to oceans. Weber ([1923] 2003, 353–54) remarks on this factor as well, proposing that being small minimizes the need for investment in transportation and communication networks within the society’s borders, thus promoting trade between regions. European access to oceans and the Mediterranean, and abundant interconnections through rivers would cause the societies to focus upon maritime trade as opposed to more costly overland routes. While Weber urges that it not be overestimated (of course), he argues that Europe’s geography was a central factor in the rise of capitalism.

Although technological innovation in navigation and ship building gave Western Europe the tools for the age of exploration that began in the fifteenth century, the initial thrust was due to the crisis of feudalism. It was the need for food and fuel rather than luxuries, according to Wallerstein, that lay behind the expansion of Europe’s political economy. “What western Europe needed in the fourteenth and fifteenth centuries,” Wallerstein (1974, 42) contends, “was food (more calories and a better distribution of food values) and fuel. Expansion into Mediterranean and Atlantic islands, then to North and West Africa and across the Atlantic, as well as expansion into eastern Europe, the Russian steppes and eventually Central Asia
provided food and fuel. It expanded the territorial base of European consumption by constructing a political economy in which the resource base was unequally consumed, disproportionately by western Europe.” This exploration—thanks to concurrent improvements in military technology, as well as the diseases that Europeans brought to the Americas—eventually gave Europe access to the extensive raw materials, slaves, gold, and land upon which to grow crops. This rapid expansion of markets vastly increased the money supply and strengthened the merchants and their state sponsors while weakening the old landed aristocracy. This wealth was then used to sponsor new technologies in agriculture and industry, and to tighten the exploitive economic relationships between Western Europe and its colonies: Europe now had the resources for the political-economic domination of large parts of the world and, because of its political and economic power, was able to enter into trade agreements favourable to the interests of its economic and political elites.4

The political-economic structure of feudalism also played a significant role in the rise of capitalism. In previous societies, the interests of the merchant and manufacturing strata were kept in check by elites, whose wealth was based on the land. China, for example, developed many of the features of a capitalist society, including banks and markets for its agricultural products and manufactured goods. China also developed the navigation and ship-building technology for ocean-going trade—even engaging in extensive exploration in the early fifteenth century. But commercial interests were always dependent upon the extensive Chinese bureaucracy, a support that proved both arbitrary and capricious. In contrast, Western European societies were organized along feudal lines, with power divided among the king, local lords, town, and church—rulers were never absolute (Harris 1977, 262–63).5 Sanderson (1999, 161–72) maintains that a true feudal structure was a major contributor to the independent rise of capitalism in both Western Europe and Japan. Its political decentralization meant that trade could not be stifled by large bureaucracies through heavy taxation or the confiscation of wealth and profits. “Large centrally organized empires tend to stifle mercantile activity
because it is a threat to the mode of surplus extraction used by rulers and the governing classes” (Sanderson and Alderson 2005, 99–100). The merchants of agrarian societies had little status or social or political power, but they gradually became indispensable in the exchange of goods and services within and between feudal societies. The cities and towns in Europe came to be dominated by merchants, who steadily came to enjoy more independence (88–89). The political decentralization of feudal society also allowed the bourgeoisie to form temporary alliances with kings and nobility, which enabled them to more freely pursue their interests. “Gradually their economic power grew,” writes Sanderson, “until some 4,500 years after the origins of the first states and quite probably the first genuine merchants, they were able to conquer and subdue the very kind of society that gave them birth” (1999, 175).

Nation-states, relatively weak during the feudal era, began to strengthen their authority in response to the peasant revolts and general unrest of the continent. Playing the rising merchants off of the landed nobility, the princes gradually rationalized their taxes on the economy and used the increased revenues to fund ever larger and more efficient state bureaucracies. These more efficient bureaucracies were in turn used to fund larger and better-equipped standing armies to quell the unrest. Innovations in the technology and practice of war—longbows, gunpowder, cannons, cavalry, and infantry tactics—called for large standing armies and strict military discipline. “All this meant that the cost of war increased, the number of men required rose, and the desirability of a standing army over ad hoc formations became ever more clear” (Wallerstein 1974, 28–29).

Well-equipped, large standing armies could only be maintained by a centralized authority with access to adequate resources. By the fifteenth century, the states of Western Europe were strong enough to restore internal order, and, relying on the efficient taxation of a growing trade as well as credit extended by private banks, they continued to centralize and enlarge their authority. And this symbiotic relationship between capital and state, Wallerstein argues, has continued to the present day (136).
The concurrent development of the Western European nation-state is a critical factor in the rise and eventual domination of capitalism. According to Weber, it was the nation-state that took steps to rationalize civil and tax laws that made capital much less subject to the arbitrary and capricious whim of rulers. Although Weber is widely portrayed as an idealist who ascribes the beginnings of capitalism to the Protestant ethic, Randal Collins (1980, 932) summarizes Weber’s more mature and nuanced view of the origins of capitalism as it appears in his later (and more “mature”) General Economic History (1923):

Only the West developed the highly bureaucratized state, based on specialized professional administrators and on a law made and applied by full-time professional jurists for a populace characterized by rights of citizenship. It is this bureaucratic-legal state that broke down feudalism and patrimonialism, freeing land and labor for the capitalist market. It is this state that pacified large territories, eliminated internal market barriers, standardized taxation and currencies. It is this state that provided the basis for a reliable system of banking, investment, property, and contracts, through a rationally calculable and universally applied system of law courts.

It was also the state that created the economic conditions, including transportation systems and standardized monetary systems, that laid the foundations for banking, finance, and investment and enabled capitalists to expand their activities. All of these activities, Weber maintains, were necessary for the development of capitalism. The ability of the nation-state to colonize, to create national banks, to take on debt, to protect property, to develop tax systems, and to set land-use and labour law were all factors that Weber identified as part of the development of capitalism. Marx ([1867] 1915, 823–24) adds a final factor supplied by the state in the rise of capital, the use of force: “These methods depend in part on brute force, e.g., the colonial system. But, they all employ the power of the State, the concentrated and organised force of society, to hasten, hot-house fashion, the process
of transformation of the feudal mode of production into the capitalist mode, and to shorten the transition. Force is the midwife of every old society pregnant with a new one. It is itself an economic power.”

Furthermore, it was the state that often invested directly in commercial ventures and served as the capitalist’s biggest customer (Wallerstein 1974, 133). A significant factor in the rise of capitalism was the discovery of the New World and the economic and military domination of large parts of Asia and Africa. These state-sponsored enterprises gave Western European elites access and control over unprecedented wealth and quickly transformed the economies of Europe. Marx ([1867] 1915, 823) emphasizes this point: “The discovery of gold and silver in America, the extirpation, enslavement and entombment in mines of the aboriginal population, the beginning of the conquest and looting of the East Indies, the turning of Africa into a warren for the commercial hunting of black-skins, signalised the rosy dawn of the era of capitalist production. These idyllic proceedings are the chief momenta of primitive accumulation. On their heels treads the commercial war of the European nations, with the globe for a theatre.” Although the relationship between the state and “private” enterprise was sometimes uneasy, Western European states saw early on the advantages to fostering economic expansion as the road to increasing revenues as well as state authority and military power, and capitalists saw the state as a means of expanding their capital.

Up to this point, we have cited infrastructural and structural causes of the rise of capitalism in Western Europe. Infrastructural factors include the crisis of feudalism brought about by changes in climate, depletion of resources, and the resulting intensification of production and wide swings in population levels. Other infrastructural causes were the development of military and ocean-going technologies and the exploitation of the raw materials, markets, and labour of other continents; these technological developments promoted changes in the division of labour both nationally and internationallly, and altered the distribution of resources disproportionately to Western Europe. Structural causes of the origins of capital include the initial feudal organization of Western Europe and the gradual
centralization and bureaucratization of states and their direct and indirect sponsorship of capital development. But what role do cultural superstructures of Western societies play in the rise of capitalism, particularly those values and ideals famously cited by Weber in *The Protestant Ethic and the Spirit of Capitalism*?

For materialists, ideational culture is the most fluid part of the sociocultural system, the least dependent upon material conditions. To paraphrase Marvin Harris (1979, 57), survival as a peasant depends little on whether you believe in a multitude of gods or one god; it depends much on the fertility of the land, the climate, and the agricultural techniques and technologies at your disposal. Complex ideologies and religious beliefs are ever malleable and can be used to justify and advance almost any structural interest (Wallerstein 1974, 62). The Protestant ethic may very well have supplied the ideologies for accumulating wealth, industry, and savings, but so did a rising nationalism, increasing commercial appeals through the printing press, and the Enlightenment itself. There can be little doubt that such ideologies aided in the spread and strengthening of capitalism, but it is doubtful that they played a significant role in its origin. Rather, elements within existing ideational culture are used to buttress and support infrastructural and structural change. Cultural elements that do not fit the new realities are reinterpreted, if possible; if they cannot be so modified, they are abandoned or ignored. New elements are often developed to justify and promote the interests of classes and status groups.

Cultural elements can be critical in the struggle to garner support in movements to promote or extinguish infrastructural and structural changes; they can also be important in dampening or reinforcing the speed of such change. Thus, although they must be considered in any analysis of sociocultural change, they are rarely responsible for the change itself. Without infrastructural and structural support, specific ideas and ideologies never become widespread and are thus nearly powerless as an initiating social force. This is not to say, however, that they are powerless in the world: ideas that garner significant structural support, particularly of elites, can be very powerful indeed.
Capitalism is defined by its rational enterprise in pursuit of a profit. Once such rationalization is fully developed in the growing bureaucracies of private enterprise and of the state, it metastasizes throughout the world and becomes a force to be reckoned with.

**THE CAPITALIST WORLD-SYSTEM**

From the beginning, Marx saw capitalism as international in scope. It was the development of new markets in the Far East and the colonization of the Americas that provided the stimulus for capitalist development in Europe. “Modern industry has established the world-market, for which the discovery of America paved the way,” propose Marx and Engels ([1848] 1954, 11). “This market has given immense development to commerce, to navigation, to communication by land. This development has, in its time, reacted on the extension of industry; and in proportion as industry, commerce, navigation, railways extended, in the same proportion the bourgeoisie developed, increased its capital, and pushed into the background every class handed down from the Middle Ages.” This capitalist world-system view is becoming increasingly prominent in modern macrosociology through the work of Immanuel Wallerstein, John Bellamy Foster, Andre Gunder Frank, and Stephen Sanderson. According to this view, the modern nation-state exists within a broad economic, political, and legal framework called a world-system. Just as the behaviour of individuals cannot be fully understood without reference to the society in which those individuals are members, individual societies or nation-states cannot be understood without reference to the world-system in which they are embedded. Modern nation-states are all part of the world-system of capitalism, and it is the origin, operation, and evolution of this world-system that serves as the focus of world-systems analyses.

Capitalism, according to Wallerstein (2000), has evolved beyond national political boundaries: it now operates on a world stage with the freedom to manoeuvre within and between states. The size of the world economy is presently limited only by the level of
communications and transportation technology and has grown to encompass the globe as this technology has advanced. The capitalist world-system entails a division of labour and certain rewards, with an increasing proportion going to “core countries” (the industrialized countries of Western Europe, the United States, Canada, and Japan) and, within these core countries, to owners and managers of capitalist enterprises.

According to world-systems theorists, few societies are isolated from contact with other sociocultural systems. Anthropologists may study small homogeneous societies founded on hunting and gathering, herding, and simple horticulture that are relatively self-contained economic units, but as the world population increased and societies proliferated, more and more societies began to rely on intersocietal trade to fill many of their needs. According to Wallerstein (2000, 75–76), these trade relations are “world-systems” and are of two types. The first, “world-empires,” are economies based on the extraction of surplus goods and services from outlying districts. These empires are dominated by political entities at the centre that have developed military power to ensure continued domination and extraction of tribute. Much of this tribute is used to pay for the administrators who extract it and to maintain the military; the rest goes to the political rulers at the head of the empire. Unlike world-empires, the second type, the “world-economy,” has no unified political system, nor is its dominance based on military power alone. However, like a world-empire, a world-economy is based on the extraction of surplus from outlying districts to enrich those who rule at the centre. World-economies existed before capitalism, but they tended to be unstable and prone to evolve into or be subsumed by world-empires. The capitalist world-system, however, has proven to be far more durable.

World-systems theorists have demonstrated that, from the start, capitalism has had a division of labour that encompassed several nation-states. The capitalist world-system began in Europe around 1500 and, under the spur of the accumulation of capital, expanded over the next few centuries to cover the entire globe. In the process of this expansion, the capitalist world-system has absorbed small
isolated hunting-and-gathering and simple horticultural societies, horticultural and agrarian societies, world-empires, and competing world-economies. The capitalist world-system was created by establishing long-distance trade in goods and linking production processes worldwide, all of which allowed the significant accumulation of capital in Europe. But these economic relationships were not created between regions in a political vacuum. The modern nation-state was created in Europe along with capitalism to serve and protect capitalist interests. What was in the interests of early European capitalists was the establishment of a world-economy based on an extremely unequal division of labour between European states and the rest of the system. Also in their interests was the establishment of strong European states that had the political and military power to enforce this inequality.

The capitalist world-system is a mechanism of surplus appropriation that is both subtle and efficient. It relies upon the creation of surplus through constantly expanding productivity. It extracts this surplus for the benefit of the elite through the creation of profit. This is much more efficient than the extraction of tribute by force, and it has the added advantage of softening and disguising the exploitive relationship. It becomes difficult for victims to identify their exploiters, or even for exploiters to recognize that they are expropriating surplus. All of it is left to—and defined by—market forces. In such situations, it is difficult to organize and coalesce or to revolt against an enemy. The capitalist world-system is based on a two-fold division of labour in which different classes and status groups are given differential access to resources within nation-states, and different nation-states are given differential access to goods and services on the world market. Both types of markets—those within and those between nation-states—are very much distorted by the power of elites.

The capitalist world-system can be divided into core, semi-peripheral, and peripheral areas. The peripheral areas are the least developed; they are exploited by the core for their cheap labour, raw materials, and agricultural production. The semi-peripheral areas are somewhat intermediate, being exploited by the core but taking
some role in the exploitation of the periphery. In the recent past, semi-peripheral areas have been expanding their manufacturing activities, particularly in areas that are no longer very profitable for core countries. The core states are in geographically advantaged areas of the world such as Europe and North America. These states promote capital accumulation internally through tax policy, government purchasing, sponsorship of research and development, financing infrastructural development (such as sewers, roads, airports—usually publicly financed but privately constructed), and maintaining social order to minimize class struggle.

Core states also promote capital accumulation in the world-economy itself. For historical reasons, these states have the political, economic, and military power to enforce unequal rates of exchange between the core and the periphery. It is this power that allows core states to dump unsafe goods in peripheral nations; pay lower prices for raw materials than would be possible in a truly free market; exploit the periphery for cheap labour; promote lax environmental, consumer, and worker safety laws; erect trade barriers and quotas to their advantage; and establish and enforce patents. It is the economic, political, and military power of the core that allows significant capital to be accumulated in the hands of a few; the capitalist world-system produces and maintains the gross economic and political inequalities within and between nations. As with capitalism within nation-states, world-systems theorists argue, this power is not uncontested: it is the subject of struggle. True to their roots in Marx, world-systems theorists see internal contradictions within the system that cause political and economic instability and social unrest. Eventually, Wallerstein and others predict, a worldwide crisis will be reached and the system will necessarily collapse, opening the way for revolutionary change.

**THE “DEEPENING OF CAPITALISM”**

From its very beginnings, the capitalist system has been expanding geographically; it now encompasses the entire globe. At the same
time, the logic of capitalist relations—expanding markets into new areas and rationalizing production and distribution with the goal of ever increasing profitability—has been applied to more and more areas of social life, which in turn have adapted to capitalist relations. According to Stephen Sanderson (1999, 184–85), this “deepening of capitalism,” as he calls it, is the main “evolutionary process within the capitalist system” and is responsible for most of the sociocultural changes of the modern world.

Capitalists continue to increase profitability in a variety of ways, including (1) continued rationalization of work through automation, increased division of labour, contingency work, offshoring, the coordination of workers and controls on their wages, and the weakening of collective bargaining; (2) the concentration of economic power and the leveraging of that power with governments; and (3) commodification. These actions intensify in an advanced industrial (or hyperindustrial) society as innovations in transportation and communications put industries around the globe into direct competition with each other. All of these actions contribute to the deepening of capitalism around the world.

Corporations worldwide have been streamlining their bureaucracies and automating production and distribution activities in their efforts to expand capital in an increasingly global economy. The reduction in their workforces has been made possible within their bureaucracies by the revolution in office technology through which typing, filing, copying and other routine office tasks have been computerized. Customer service has also been rationalized and largely automated or offshored. Within production and distribution processes, computer technology has again been used to automate systems and replace workers. Downsizing is also achieved through contracting unprofitable manufacturing and service activities either to lower-tier corporations where the work can be done more cheaply through the use of non-union or immigrant labour or to countries where wages are lower and the workers can be more easily exploited. All of this has led to gradually rising unemployment rates in industrialized nations, economic dislocation for many industries, and
“jobless recoveries” in which corporate profits go up while unemployment remains high.

For example, in 2011 as the United States was suffering an average unemployment rate of 9 percent, American companies were enjoying record profits. Shawn Tully, writing in 2012 for CNN Money, provides some figures: “The Fortune 500 generated a total of $824.5 billion in earnings last year, up 16.4% over 2010. That beats the previous record of $785 billion, set in 2006 during a roaring economy. The 2011 profits are outsized based on two key historical metrics. They represent 7% of total sales, vs. an average of 5.14% over the 58-year history of the Fortune 500. Companies are also garnering exceptional returns on their capital. The 500 achieved a return-on-equity of 14.3%, far above the historical norm of 12%.”10 These profits were recorded across the board. Although led by energy companies, Wall Street and the technology sector also set records. Unfortunately, Tully states, such record profit making can’t last. “The gravitational pull of the business cycle will eventually end the profit bonanza, in part because many companies carried out brutal layoffs during the recession and will now be forced to hire more workers to maintain their growth. So let’s enjoy it as a heroic but fleeting moment, not a durable new age.” In addition to corporate profits, executive pay was also up in the United States while millions remained jobless. In May 2012, the Dallas Morning News reported, “The head of a typical public company made $9.6 million in 2011, according to an analysis by the Associated Press using data from Equilar, an executive pay research firm. That was up more than 6 percent from the previous year and is the second year in a row of increases. The figure is also the highest since the AP began tracking executive compensation in 2006.”11

Another indication of the deepening of capitalism through rationalization is the rise of finance as the dominant institutional sector in capitalist societies. In the 1950s, this sector of the US economy (finance, insurance, and real estate) accounted for 13 percent of all US industry profits; by the 1990s, it accounted for 25 percent (Elwell 2006, 97). The financial industry is fully rationalized. Its dominance
provides additional motivation for other industries to further maximize profits; it has increasing influence in the councils of industry and government, and it applies pressure to all to further rationalize operations to maximize the interests of the financial corporations. This was evident for all to see in the US government’s generous bailout of Wall Street in 2008; the tough conditions placed on the bailout of automobile manufacturers in 2009, in which the companies were required to downsize and take other steps to rationalize their enterprises; the health care debates in the United States from 2009 to the present; and the rather anemic Wall Street reforms of 2010. The hold of international finance over the actions of governments around the world is also evidenced by the actions of the World Bank and the International Monetary Fund throughout the past few decades.¹²

But efficient and rationalized mass production can only be profitable if there are markets for the goods and services that the system produces. Markets can only expand by incorporating more territories into the system or by creating new products and new “needs”; this latter process, called “commodification,” is one of the chief subprocesses of the deepening of capitalist relations. In feudal societies, production took place within the geographic region, and mostly within the immediate family and community. Domestic goods were produced mainly by peasant families performing such tasks as growing food, building shelter, and making clothing; towns grew up to supply manufactured goods and services to the surrounding areas. While trade existed in the feudal era, it was limited; long-distance trade mainly involved luxury goods for the upper classes. In the early stages of capitalism, this began to shift as more and more goods and services were provided through the market and fewer through ties of family and community. Several factors account for this shift: (1) the movement of families from the land to urban environments, where raising crops and livestock is difficult or prohibited; (2) the mass production of goods and the rising income levels of manufacturing jobs that make the purchases of goods more affordable; (3) changes in custom and fashion that denigrate “homemade” and attach prestige to “store bought”; (4) the deterioration of personal
skills needed to engage in growing food or making clothing and shelter; (5) the expansion of capitalist production as it frantically seeks new markets to maintain its high profit margins; and (6) the development of marketing, advertising, and mass media technology, all of which instill in the population a desire for ever more goods and services.13

Commodification affects social life, as families, friends, and communities gradually cease to function as providers and distributors of meaningful goods and services. Divorced from such integral functions, these social groups become more brittle and are easily broken. As communities and families weaken, the market economy expands, now providing new goods and services as commodities to be bought and sold—care for the elderly in nursing homes, labour-saving devices for the home, housecleaning services, and daycare for children. Any good or service that can be produced and sold will be produced and sold, as long as it has a market and can be provided at a profit.

If a service cannot be provided profitably, the government often subsidizes it or offers it as part of welfare benefits to the poor. However, while the welfare state may soften some of the hard edges of capitalism, it cannot operate counter to the needs of capitalism. While there were no doubt noble reasons behind the creation of the welfare state, including charity and compassion, there were practical reasons as well. As Marx and Engels ([1848] 1954, 46) note, “A part of the bourgeoisie is desirous of redressing social grievances, in order to secure the continued existence of bourgeois society.”14 The working classes are thus allowed to share, at least minimally, in the massive wealth that capital has accumulated simply in order to keep them loyal to the current system, and those who are unable to compete in the labour market are bought off for the same reason. With some government redistribution of income, then, more can participate in the consumer economy, and the “industrial reserve army” can be maintained. But the welfare state is under severe attack in capitalist societies, and economic inequality is growing—a trend that seems likely to continue.
Writing *Capital* in the early 1860s, when English society was in the early stages of industrialization, Marx forecast both the immediate course of the development of capitalism and its ultimate end. The crisis of capitalism that Marx predicted is rooted in his comprehensive and detailed analysis of the capitalism of his day, which is captured in his massive work. Marx believed that the coming crisis would result from contradictions within the capitalist system itself, and he predicted that these contradictions would become more and more acute as the capitalist system evolved. Over time, Marx writes, capital takes control over the handcraft production processes and, later, manufacturing where the workers were in control of the work process, centralizing the workers into workshops and factories. Through the process of competing for markets, some firms win and others lose, and capital becomes enlarged and centralized; science and technology are consciously used to improve the productivity of the workplace, thus throwing many out of work while creating new jobs in service to the machines. Unsuccessful capitalists fall into the proletariat, and all productive labour, worldwide, ultimately comes within the capitalist system.\(^{15}\)

With this centralization and enlargement, other developments take place on an ever increasing scale. The quest for profit leads corporations to adopt ever more sophisticated technology, to reorganize labour into increasingly detailed divisions for the sake of efficient production, and to squeeze wages to maximize profit. Science is more directly harnessed to the production process through the research and development of technologies that will ever more efficiently automate production and distribution processes. Workers are stripped of their skills and, becoming mere commodities, increasingly exploited to maximize capital (Marx [1867] 1915, 504–6).\(^{16}\) Agriculture, too, is transformed through science to become an exploitive relationship in which the crops and people are treated as commodities; millions are removed from the land as corporate farms replace the family farms of the past. In effect, capital uses science and technology to transform
agriculture into agribusiness, in the process not only exploiting the worker but exploiting and ultimately destroying the natural fertility of the land as well (554).17

The lack of centralized planning under capitalism results in the overproduction of some goods and the underproduction of others, thus causing economic crises such as inflation and depression; feverish production is followed by market gluts, which bring on contraction of industry. These booms and busts are part of the structure of capitalism itself, as it grows by fits and starts. As the economy booms, labour costs rise and profit margins are squeezed, thus causing periodic crashes. Labour then becomes cheap, industry begins to recover, and the cycle begins anew (495).18

In addition to the booms and busts of capitalism that swing wider as capitalism evolves, there is a constant churning of employment as machines replace men in one industry after another, throwing thousands out of work, thus swamping the labour market and lowering the cost of labour (470).19 In all of this, the labourers suffer. Mass production, machine technology, and economies of scale are increasingly applied to all economic activities; the result is unemployment and misery for many men and women (694–95).20 As capitalism develops, the system must necessarily create enormous differences in wealth and power. The social problems it creates in its wake of boom and bust—problems of unemployment and underemployment, of poverty amidst affluence—continue to mount. The vast majority of people fall into the lower classes (694).21

All of these economic and political transformations and developments are harnessed to the economic interests of the capitalists. The wealthy become richer but ever fewer in number (836). With this growing monopoly of economic, political, and social power, the exploitation of the many for the benefit of the few grows. With its continued development, the contradictions become worse, the cycles of boom and bust more extreme. Since capitalism is international in scale, the people of all nations are part of the capitalist world system, with the industrial centre exploiting much of the world for raw materials, food, and labour. “A new and international division of labour,
a division suited to the requirements of the chief centres of modern industry springs up, and converts one part of the globe into a chiefly agricultural field of production, for supplying the other part which remains a chiefly industrial field” (493).

Over the course of its evolution, capitalism brings into being a working class (the proletariat) consisting of those who have a fundamental antagonism to the owners of capital. The control of the state by the wealthy makes the state ineffective in fundamental reform of the system and leads to the passage of laws favouring the interests of the wealthy and incurring the wrath of a growing number of workers. “The executive of the modern State is but a committee for managing the common affairs of the whole bourgeoisie,” declare Marx and Engels ([1848] 1954, 12). Now highly urbanized and thrown together in factories and workplaces by the forces of capital, the workers of the world increasingly recognize that they are being exploited, that their needs are not being met by the present political-economic system. The monopoly of capital is preventing the production of goods and services for the many. Needed social goods and services are not being produced because there is no profit in them for the capitalists, who control the means of production. Exorbitant wealth for the few amid widespread poverty for the many becomes the norm.

As the crisis mounts, Marx argues, the proletariat will become more progressive, though governments will be blocked from providing real structural change because of the dominance of the capitalists and their organization, money, and power. In time, the further development of production will become impossible within a capitalist framework, and this framework will become the target of revolt. Eventually, Marx ([1867] 1915, 836–37) says, these contradictions of capitalism will produce a revolutionary crisis:

Along with the constantly diminishing number of the magnates of capital, who usurp and monopolize all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, exploitation; but with this too grows the revolt of the working-class, a class always increasing in numbers, and disciplined,
united, organized by the very mechanism of the process of capitalist production itself. The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument [hardened shell]. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated.

With the revolution, the production processes that were developed under the spur of capital accumulation will be harnessed to serve broad human needs rather than the needs of a few capitalists. In *The Communist Manifesto*, Marx and Engels ([1848] 1954, 35–36) write: “We have seen above, that the first step in the revolution by the working class, is to raise the proletariat to the position of ruling class, to win the battle of democracy. The proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralize all instruments of production in the hands of the State, i.e., of the proletariat organized as the ruling class; and to increase the total of productive forces as rapidly as possible.”

The revolution will first establish a democratic constitution and, through this form of government, will begin to exercise increasing control over the economy. Measures advocated by Engels ([1847] 1999, 13–14) include limitations on private property through progressive taxation and inheritance taxes, purchase by the state of existing economic enterprises, the organization of labour, centralization of money and credit in the hands of the nation, increases in productive forces in proportion to the available capital and labour forces available to the nation, universal education for all at national cost, and concentration of all means of transportation in the hands of the nation. The beginnings of the revolution will occur—indeed, can only occur—in the advanced capitalist states that have developed productive forces to the limits of the profit system. True revolutions cannot be made arbitrarily or through the intentions of individuals or even entire classes; they can only occur when objective conditions
are met (12). But because advanced capitalist states are tightly inte-
grated with one another, once the revolution begins in one, it will
spread to others and, through their global markets, to the rest of
the world. By freeing the production of goods and services from the
constraint of profit, the proletarian revolution will radically alter the
course of economic development so that it serves people rather than
narrow capitalist interests. 24

Before discussing what Marx and Engels got wrong, it is suitable
to focus upon what they got right. That capitalist enterprise would
increasingly use science and technology in a conscious process to
increase productivity and efficiency has been borne out. Compared
to the inventions of eighteenth-century tinkers and amateurs, science
has been far more systematically employed to increase productivity
through technological development in all areas of industry. Marx’s
prediction that capitalism would continue to enlarge and centralize
was also certainly correct. Consequential economic activity, increas-
ingly, is large-scale and complex; a handful of corporations dominate
the economic activities of the world, spanning the globe and employ-
ing thousands. Along with this centralization, there has been an
increase in the rationalization of operations, all with an eye toward
reducing costs and increasing profitability. As Marx forecasted, capi-
talism has deepened its worldwide presence, more and more people
are being integrated into the capitalist world economy, and the divi-
sion of labour within and between societies has markedly increased.

In the agricultural sphere, Marx was perhaps too timid in his
predictions of capitalism’s thrust toward industrial farming and the
destruction of the yeoman farmer’s way of life. As he predicted, cor-
porate farming has become increasingly dominant in many societies,
with attendant corporate exploitation of land and biological life, and
the removal of large parts of the rural population into urban areas.
Corporations have moved into the industrial production of milk,
eggs, and meat, using the latest in science and technology, as well
as engaging in the economic exploitation of previously independent
farmers, in an effort to increase farm productivity and thereby maxi-
mize their profit.
The constant churning of employment as industries rise and fall and as automation is adopted unevenly throughout the world economy is also apparent. While Marx was essentially correct in his prediction that the division of labour between societies would be exploitative, he failed to foresee the possibility that many non-core countries could also be exploited for their cheap manufacturing labour as well as their agriculture. In the never-ending search for profits, capitalists have frantically thrust themselves into any area of economic activity that can be profitable—even those activities previously reserved for the non-profit public sectors, such as parks, education, military activity, and security services. They have also invented goods and services that, largely through the magic of advertising, have become necessities in modern life. In efforts to increase their share of the market, capitalists have developed technologies for factories, offices, services, and the professions, technologies that have replaced millions of workers while increasing the productivity of those that remain. In truth, much of what Marx foresaw regarding the future of capitalism has come to pass with a vengeance.

But the heart of Marx’s critique of capitalism and eventual revolution beats in his analysis of the effect of the capitalist mode of production on the class structure of societies. Look at the underlying contradictions of the capitalist system that Marx forecasted: (1) that extreme wealth and poverty can co-exist; (2) that capital must necessarily go through booms and busts, and that these swings will grow deeper and more frequent as capital evolves; (3) that the working class will grow ever greater in number and, under capital’s continuing rule, will become ever more unskilled and exploited; (4) that capitalism produces an economy thriving on a large underclass of unemployed and underemployed workers growing more numerous as the contradictions of the capitalist system become more pronounced; and (5) that a crisis will eventually be reached as the working class become more progressive and, eventually, revolutionary.

How are these predictions holding up? In the concluding chapters, we will examine more closely Marx’s assertion that inequality must necessarily grow as capitalism evolves. That the cycles of boom and
bust become more extreme as capitalism develops seems to have held true through the Great Depression, but since that time, these swings have been moderated through government action. However, as we will see, the moderating forces on these cycles may well be weakening as a result of the further development of capitalism itself. The prediction that the working classes will become more progressive, disaffected, and revolutionary has certainly not yet been fulfilled—at least not in the core nation-states. Finally, Marx’s prediction that the working class, as well as the numbers of unemployed and underemployed, will grow over the course of capitalism’s evolution has been empirically tested, and it is to this test that we now turn.

**A TEST OF MARX**

The economic-political system known as capitalism is perhaps found at its most advanced and powerful within the United States. Both Wallerstein and Foster—two of the sociological heirs of Marx—identify the US as the dominant member of the core societies (the “hegemon”); international economic data indicate that the United States is indeed the largest economy on earth and among the most profitable as well. Harry Braverman ([1974] 1998, 262) tested Marx’s prediction that the overwhelming majority of people in capitalist societies will end up in the working class by examining employment in the United States from 1900 to 1970. Braverman defines the working class as people who essentially work with their hands, in jobs that demand relatively little skill or education and offer little by way of autonomy or decent compensation. To calculate the percentage of the workforce engaged in essentially rote manual occupations, he divides the US workforce according to census categories and adds up the number of people classified as “operatives and laborers,” “craftsmen,” “clerical workers,” and “service and retail sales workers” for each census year from 1900 to 1970. He finds that the working class has been growing each decade since the turn of the century. Beginning in 1900 at slightly over 50 percent of the labour force,
the working class had grown to 69 percent of the total workforce by 1970.\textsuperscript{26} An advanced capitalist society, one supposedly based on scientific technology and higher education, seems to be predicated on the exploitation of a significant proportion of its working population.

However, a number of changes have occurred in the structure of the US workforce since Braverman wrote in the 1970s. In a follow-up study, I added up the numbers in Braverman’s working-class categories for 1983 and 2001 and computed their percentage of the workforce (Elwell 2009a, 91). According to my calculations, while the working class has continued to grow in terms of absolute numbers, going from 80 million workers in 1970 to 100 million in 1983 and 135 million in 2002, as a percentage of the total US labour force the working class has declined over these years, dropping from Braverman’s computed high of 69.1 percent in 1970 to 66 percent in 1983 and then to 60 percent in 2001. So, for the first seventy years of the twentieth century, the US workforce engaged in essentially rote manual and clerical occupations grew each decade. However, this trend reversed in the last third of the century. Although even in 2001 the working class was still a majority (60 percent) of the employed population, the trend now seems to be moving in the opposite direction.

What might account for these changes? It appears that the proportional decline of the working class is primarily due to the relatively slow growth in the number of manufacturing jobs in the United States. Manufacturing jobs have been in proportional decline since 1970, accounting for 34 percent of the total US workforce in 1970, 28 percent in 1983, and only 24 percent in 2001. This decline is due largely to automation and offshoring, both of which have caused many manufacturing jobs to be eliminated. With regard to offshoring, only the location of the exploitation of workers has changed. Sweatshops in peripheral countries, where workers are compensated pennies on the dollar and environmental and worker safety laws are minimal, are now the basis of profit of many manufacturing companies.

What has replaced these jobs in the modern economy? Some have been replaced by low-level clerical, service, and sales workers, although the proportionate growth in these areas has not been great
enough to offset manufacturing declines. Compared to manufacturing, it is much more difficult to automate most personal service work. Besides, it is seldom economical to replace a small number of minimum wage unskilled labourers in a single location with technology. Compared to goods-producing jobs, it is also more difficult to ship many of these jobs overseas to cheaper labour markets (although by no means impossible with some of these occupations, like that of telephone service representative). And this is what accounts for much of the growth in immigration, both legal and illegal: if you cannot have the services provided from cheaper overseas labour markets, another option is to import cheaper foreign labourers.

Contrary to the predictions of Marx (and Braverman)—but consistent with the predictions of Weber—the bulk of the recent growth in jobs is mainly attributable to the rapid growth of “managerial and professional specialty” occupations. Braverman ([1974] 1998, 279) estimated that in 1970, some 20 percent of the American workforce was engaged in managerial, executive, and professional specialties. By 2001, these occupations had ballooned to 31 percent of the employed population.27 Add to this figure the “technical and sales occupations” (workers who, because of their income and educational attainment, Braverman counts as middle class) and the figures go to 39 percent of the workforce for 2001.28 Clearly, this middle level of employment has grown dramatically since Braverman’s time. Within this broad category, the fastest growth was experienced among “executive, administrative, and managerial” (EAM) occupations and the “professional specialty” areas. EAM grew from 11 percent of the workforce in 1983 to 15 percent in 2001. This can be attributed to the growth of large bureaucratic organizations that have expanded employment even beyond the labour-saving adoption of office machinery, communications, and computer technology. The “professional specialty” category grew from 13 percent of the total workforce in 1983 to 16 percent in 2001. The professional specialties include such occupations as health diagnosing occupations (physicians and dentists), college teachers, librarians, lawyers, entertainers, and athletes (the latter three being very uneven in terms of prestige, pay, and benefits). The proportions
within the occupations of this group stayed remarkably stable through the 1980s and 1990s. Teaching (at all levels) is by far the largest professional specialty area, with approximately 30 percent of all professional specialty employment within this category, and health care occupations (including registered nurses, pharmacists, therapists, and physician assistants) is second, with approximately 20 percent.

Braverman ([1974] 1998, 166) estimates that only 3 percent of the 1970 workforce consisted of technical specialists such as engineers, architects, draftsmen, designers, natural scientists, and technicians. A similar computation of occupational data for 1983 and 2001 shows a slight growth in the concentration of technical expertise. In 1983, about 3.5 million individuals held such occupations (3.5 percent of the total workforce). By 2001, this number had climbed to 7.3 million (4.7 percent) (US Department of Commerce 2012b). Interestingly, computer scientists accounted for the bulk of this growth, computer science being a technical expertise almost unknown in the 1970 census. Excluding the computer scientists, the proportion of technical specialists for both 1983 and 2001 is at Braverman’s estimate of about 3 percent of the labour force.

That the new computer specialties should account for the bulk of the growth in the category of technical specialist in the past twenty to thirty years is interesting because the application of computing technology in the factory and office is widely credited with an enormous boost in productivity. Computerization is a tremendous aid in extending the reach of supervisory personnel as well as professionals; it has had an astonishing impact in precision technology and in the routinization of tasks. Millions have lost jobs or never been hired due to the increasing application of computer technology in the factory, the office, and professions. Millions more have had their skill requirements—and their pay—lowered because of the application of this technology. For all this, the real technical expertise of the computer industry is in the hands of about 2.75 million computer scientists and programmers, or about 2 percent of the total labour force.

By rising to numerical prominence in the middle of the twentieth century, white-collar and professional workers upset the Marxist
expectations that society would be divided largely between a small, extremely wealthy capitalist class and a proletarian mass. As is necessary for a more complex technological infrastructure and a more bureaucratic structure, there is a higher proportion of executives, managers, and professionals in the workforce than one would expect from Marx’s theory. He was wrong; the theory needs to be modified. Advanced industrial societies seemingly require a large professional and managerial class for managing the organizations, providing sophisticated services for the elite and for this professional class, and educating and training future generations to take their role in a hyperindustrial society. Some of these positions, no doubt, allow a high degree of latitude and freedom to those who fill them; some are highly paid and prestigious as well.

However, as Mills ([1951] 1973) showed us in his brilliant study of white-collar Americans, most of these positions are not the autonomous professions of old. Their existence is largely dependent on private and public bureaucracies for their livelihood (xv). Modern white-collar workers and professionals are not free to exercise professional judgment and control; rather, they are subject to the rules, manipulations, and control of the organizations for which they work. And with the increasing calls for accountability, transparency, and efficiency, this coordination and control is much more pronounced today than in Mills’s time. For example, health insurance companies routinely examine the health care decisions of those in the medical professions; governments, professional organizations, and accrediting bodies demand reams of data from higher education to assure compliance with their standards; and computer and information technologies have greatly strengthened the decision-making authority of those at the top of the corporate structure. Analogous to Wallerstein’s semi-peripheral states, modern professionals and white-collar workers are intermediate between the working classes and the elites, and, like those states, they serve to soften the harshness of the class system. They are given more compensation and privileges than the working class, but they are essentially powerless.
Regardless of the existence of this middle class, the core economies still depend on large working-class populations. The bulk of these working-class jobs are unskilled or semi-skilled occupations, with an increasing proportion in sales and personal services, which tend to pay lower wages than old-line manufacturing. The unemployed and the underemployed—the industrial reserve army of Marx—are all still very much with us.

But this is only a partial view, looking as it does only at the division of labour within a single core nation. Recall that according to Marx (and others), capitalism is a world-system, with an increasing division of labour both within and between nation-states. The specifics of the division of labour within American society are largely determined by its position at the core of the capitalist world economy. Since the United States is a core nation, one would expect a large proportion of its employed population in managerial and executive positions, with a large cadre of professionals to provide services for these managers and the elite. The working classes that support the wealth and power of capital located in the United States extends well beyond American shores.

As indicated above, the final piece of Marx’s analysis, that the working classes will eventually become more progressive and ultimately revolutionary, cannot be tested with this data, nor can his vision of the eventual establishment of a socialist society that solves capitalism’s contradictions. I suspect, though, that Marx overestimated the power of the proletariat and underestimated the power of elites—particularly the ever more sophisticated methods of manipulation and control that the elite can bring to bear to enforce order. Nevertheless, I think the evidence is overwhelming that the capitalist system does have inherent contradictions that have led to change in the past (the creation of the welfare state and economic regulation comes readily to mind) and that will continue to provoke change in the system. Whether capitalism ultimately falls or “peacefully” evolves into a system that fully addresses these contradictions simply cannot be known, nor can we know the timing of such change. However, I find Marx’s prediction that socialism will be the
economic-political system to replace capitalism even more speculative and ultimately utopian, perhaps more influenced by his ideology, hopes, and dreams than by his sociological and economic theories.

THE IRRATIONALITY FACTOR: INTERNAL CONTRADICTIONS OF CAPITALISM

The more recent predictions of the end of capitalism due to its internal contradictions are consistent with Marx. Immanuel Wallerstein (1999), a world-systems theorist greatly influenced by Marx, sees growing capitalist exploitation of earth, workers, and consumers. He forecasts growing disparities in wealth and power as nation-states are increasingly unable to address the disorder because they are dominated by capitalist elites and are losing legitimacy in the eyes of their citizens. Wallerstein posits three features of the capitalist system that are essential to its continuation: (1) the system must constantly expand production, bringing new markets and workers into the system; (2) it must externalize many of its costs by shifting much of the cost of production (for example, pollution cleanup and securing needed resources) to the nation-state; and (3) the nation-state and the inter-state system must remain strong (74–78). It is these three features of the system that have been at the root of capital accumulation, yet the very success of the system has led to forces that are undermining this foundation.

As it expands throughout the world, capitalism is rapidly losing the easily exploitable portion of its labour market (Wallerstein 1999, 30–31). Workers in formerly peripheral areas are increasingly demanding living wages, decent working hours, and a higher standard of living. The threat to the capitalist world system, according to Wallerstein (2000, 386), is the spread of democracy: “The demands for income, health care and education, in particular, seem to be insatiable. To the extent that there is democratization, people insist not merely on having these three, but on regularly raising the minimal threshold for each. But having these three, at the level that people
are demanding each day, is incredibly expensive, even for the wealthy countries not to speak of for Russia, China, and India. The only way everyone can really have more of these is to have a radically different system of distribution of the world’s resources than we have today.” Mass media and the newer social media, of course, serve as stimuli for democratization as do demands for consumer goods throughout the capitalist world-system.

Another threat facing capitalism, argues Wallerstein (1999, 78), is the “ecological crisis” caused by development. “What we mean by historical capitalism,” he explains, “is a system in which the institutions that were constructed made it possible for capitalist values to take priority, such that the world-economy was set upon the path of the commodification of everything in order that there be ceaseless accumulation of capital for its own sake.” When environmental issues get in the way of profits, it is the accumulation of capital that rules. Companies that deplete the environment or pollute air, water, and land through their production processes are able to minimize their costs by ignoring the environmental havoc they create, leaving governments to bear the cleanup costs and thus spreading the costs to the population as a whole. The profits, of course, go to the corporations. The fact that corporations can externalize these costs means that there is no incentive to factor ecology into corporate decisions (85).

The ecological crisis must necessarily intensify, Wallerstein (1999, 76–82) explains, as corporations expand their markets and more people around the world are integrated into consumer culture. As the crisis intensifies, the budgets of national governments are increasingly stretched to provide for the cleanup. This, Wallerstein predicts, will cause governments to try to force companies to internalize these costs, which will cut deeply into their capital accumulation (31). The increasing costs for labour and for environmental cleanup cannot simply be passed on to the consumer in the form of higher prices: “The ‘market’ constrains the sales price, in that, at a certain point, the price becomes so high that the total sales profit is less than if the sales price were lower” (79). Thus, the need to pay
more for labour and environmental cleanup seriously erodes capital accumulation (81).29

A third threat to the capitalist world-system is the decline in the power of the state. As Wallerstein (and others) have argued, state power has been essential for the capitalist world-system ever since its inception. The state keeps order at home, sponsors monopolies, monitors and responds to military threats, and ensures favourable trade agreements with peripheral and semi-peripheral areas. The state also supports profits through purchasing and creating tax policies favourable to capital, as well as through building roads, sewers, airports, and other supports for capital. Furthermore, it acts to “soften discontent of the dangerous classes” through the establishment of welfare (Wallerstein 1999, 63–74). But the state, according to Wallerstein, is rapidly losing legitimacy as liberal reform fails to fundamentally address poverty, depletion, pollution, structural unemployment, and a host of other social problems. The system is in terminal crisis, Wallerstein argues, because all of the avenues of significant capital accumulation are narrowing; capital accumulation no longer has free reign, nor can the state easily lift the restrictions (80–85).

The coming decades, Wallerstein (2000, 431) predicts, will see the disorder continue to mount. “Capitalists will seek support from state structures as they have in the past. States will compete with other states to be the major loci of the accumulation of capital.” More and more aspects of social life will be commodified, the polarization of wealth and power will become even more extreme, and states will find it increasingly difficult to maintain order internally and internationally. Terrorism will intensify as the wealthy core countries will increasingly be called to account for past exploitation (414–15). The United States will lose its hegemonic status as its economy slows dramatically and weapons of mass destruction proliferate. The capitalist world-system will slip into chaos, and a new order will eventually emerge after much struggle within and between nations (431). Unlike Marx, Wallerstein does not predict precisely what this new world order will be. There is no inevitability
of something better or worse. What emerges, he suggests, will very much depend upon the ongoing struggle between repressive and progressive forces (413).

To these three internal contradictions of capitalism I would add a fourth: the expansion of the capitalist system and the resulting centralization of corporate and state power is undermining the very foundations of that system. For example, the welfare state was established in an earlier era despite bitter opposition of capital. In many societies, welfare services began to be provided in the late nineteenth and early twentieth century; in the United States, they were not established until the Great Depression in 1930s, and then only in a very weak form to check the most egregious human suffering. In the past thirty years, even this basic safety net has been under relentless attack in the United States as the reforms of Johnson’s Great Society and, increasingly, the New Deal itself are being rolled back. Despite recession, government spending is being curtailed, and government jobs at all levels—including teachers, police, and firefighters—are being eliminated. A neoliberal ideology has arisen that perfectly mirrors the rationalization process in justifying these cuts: government is always inefficient and wasteful; private industry is always efficient. Anxious to expand capital in areas previously closed to them, and now more powerful in the United States than ever before, corporations are pushing to “privatize” many government services such as education, parks management, the provision of water, firefighting, prisons, social security, and health insurance so that these services “pay tribute to profit,” as Braverman ([1974] 1998, 191) aptly puts it. “The idea that some areas of society and life are too precious, vulnerable, sacred, or important for the public interest to be subject to commercial exploitation seems to be losing influence,” notes Joel Bakan (2004, 138). “Indeed, the very notion that there is a public interest, a common good that transcends our individual self-interest, is slipping away.”

In their attempts to expand capital, corporations and their allies have pushed to minimize government regulation of corporate activity in their treatment of the environment, workers, and consumers.
Through such processes as deregulation, regulatory capture (whereby agencies are staffed by former industry executives), and underfunding the regulatory agencies that remain, capital has been largely freed of external constraints (Bakan 2004, 139–61). Since the corporation puts profit above all other values, this deregulation has been a disaster. Bakan asserts that if corporations are indeed people, they can best be likened to psychopaths with their obsessive focus on profits and total lack of concern for the welfare of others; such institutions will exploit the environment, workers, and consumers as long as they and their shareholders profit (58, 60–61). This focus on the bottom line to the exclusion of concerns for tradition, values, and human emotions makes the corporation the personification of rationalization itself.

While it was fashionable in the 1950s and 1960s to assert that modern economics had largely moderated capital swings of booms and busts, the wild inflation of the 1970s and the near worldwide economic collapse of 2008 showed that this is not so. In dealing with the resulting financial crisis of 2008, it was capital interests that were served—US government largesse bailed out the banks rather than the debtors. The executives of financial institutions denied that they were responsible for the crash, blaming bad luck, a perfect storm of circumstances, their victims (poor people and the middle class), or the government. When the federal government attempted modest financial reform to prevent future crisis, financial institutions put up fierce and continuous resistance to gut any meaningful regulation that would hurt their short-term profitability.

The power and reach of capital only continues to grow. With the 2010 Citizens United decision, the US Supreme Court held that the federal government may not restrict political spending by corporations. The proliferation of Political Action Committees, or PACs, and Super PACs has meant that elections at all levels are awash in cash. PACs and Super PACs push both candidates and political-economic positions—often with the guarantee of anonymity for corporations or individual donors. Now more than ever, access to big money is the only way to win elections. We are at the point
where all political action is constrained by the need to accommodate capital interests.

The power of the capitalist class is such that they can no longer restrain themselves, nor will they allow their government to impose external constraints, even when these limitations would clearly be in the long-term interests of all. Severely limiting the welfare state and the regulations that previously functioned to address (if not solve) some of the fundamental contradictions or “irrationalities” of capitalism may well hasten the revolution that Marx and Wallerstein predict. Under these conditions, the booms and busts of capital are likely to become more pronounced and the system less able to meet the needs of more and more people.

These contradictions in the system are but another example of the irrationality factor. To use Weber’s terms, capitalism is a political-economic system of formal rationality and substantive irrationality. And the main irrationality of the capitalist system is this: capitalism places the social production of goods and services in private hands whose material interests are not in the quality, utility, social desirability, or even the production of the goods and services themselves but in maximizing the profit in their production.32 Harry Braverman ([1974] 1998, 142), a student of Marx, echoes Weber in summarizing capitalism’s underlying contradiction: “The most advanced methods of science and rational calculation in the hands of a social system that is at odds with human needs produce nothing but irrationality; the more advanced the science and the more rational the calculation, the more swiftly and calamitously is this irrationality engendered. Like Captain Ahab, the capitalist can say, ‘All my means are sane, my motives and object mad.’” The result is that we have bankers (or “banksters,” as many detractors now call them) who knowingly market fraudulent default credit swaps or trade on inside information.33 We have manufacturers who market cigarettes to children, prescription drugs to those living on the street, and unsafe cars, DDT, and other unsafe products to underdeveloped nations. We have a financial system that uses its wealth and influence to minimize financial regulations that served to protect both the social whole and
the financial system itself. As Marx asserted, the capitalist system, through its frantic search for ever greater profits, must eventually undermine its very foundation.

Because they are embedded in a capitalist world-system, core nation-states are organized around and infused by capitalism’s need for expansion. It is this drive that is behind the ever more detailed division of labour, the adoption of computers and other technologies to replace workers, the economic squeezing of the working and middle classes, globalization and outsourcing, immigration policy, the commodification of social life, the degradation of work and workers, the economic, political, and cultural polarization within and between societies, and the rising tide of alienation and anomie. However, capitalism is not the only force at work causing these changes. Capitalism is an economic-political system that has a prominent place in the sociocultural web in which population, technology, environment, bureaucracy, the state, primary groups, and such cultural elements as science, rationalization, nationalism, and human values, traditions, and beliefs evolve. These forces—never alone but always in interaction with one another (sometimes reinforcing, sometimes contradicting)—are the principle concerns of macrosociology.